Supreme Court, U.S.
FILED

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No.

In the Supreme Court of the United States

OCTOBER TERM, 1996

WESTINGHOUSE ELECTRIC CORPORATION,
Petitioner,
v.
GENERAL CIRCUIT BREAKER & ELECTRIC SUPPLY INC.,
et al.,
Respondents.

On Petition for Writ of Certiorari to the United States Court Of Appeals for the Ninth Circuit

PETITION FOR WRIT OF CERTIORARI

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106 pp

First Question Presented For Review:

Whether, as the Court of Appeals for the Ninth Circuit held, the elements of a trademark counterfeiting claim under the Trademark Counterfeiting Act of 1984 ("TCA") are identical to those of a claim of trademark infringement under section 1114 of the Lanham Act, and do not include the use of a "counterfeit" trademark, as defined by the TCA.

Second Question Presented For Review:

Whether, in a civil case, a district court may *sua sponte* reverse a jury verdict as to one claim, on account of a purported inconsistency with the jury's verdict on a separate claim, when no Rule 50 motion has been made for judgment as a matter of law as to the verdict reversed, and the sufficiency of the evidence supporting the verdict has not been challenged.

PARTIES TO THE PROCEEDINGS

Petitioner Westinghouse Electric Corporation is a publicly traded corporation, that has numerous non-wholly owned subsidiaries. A list of these non-wholly subsidiaries appears in the Rule 29.6 Listing.

Respondents are General Circuit Breaker & Electric Supply, Inc., Pencon International, Inc. dba General Magnetics/Electric Wholesale, Panelboard Specialties Wholesale Electric, Inc., Xavier Contreras, the Estate of Charley Contreras, and Jaime Contreras.

AC Circuit Breaker-Electric Supply, Inc. and Joe A. Contreras, both of whom were defendants in the district court, were parties to the proceedings at the Court of Appeals when the appeal was docketed, but settled with Westinghouse prior to the resolution of the appeal, and were not parties to this litigation at the time of the Ninth Circuit judgment.

RULE 29.6 LISTING

Aws Ansaldo, Spa
Clover Consortium
Mojave Cogeneration Company, L.P.
Computerized and Advanced Technologies Company
Contadores Electrico S.A.
Thermo King-Dalian Transport Refrigeration Company, Limited (Prc)
Mojave Cogeneration Company, L.P.
Rocky Mount Town Centre Associates, Limited Partnership
OGW Corp.
Sutro Towers, Inc.
Group W P/D LP
Group W/CBS Production Partners
Group W Television Sales LP
CBS/Group W Television Sales Partners
Group W Television Stations LP
Group W/CBS Television Station Partners
KUTV Limited Partnership
KUTV Real Estate Company LLC
KUTV Associates
Home Team Sports Limited Partnership
Westwood One, Inc.
TDI Limited
TDI Buses Limited
TDI Metro Limited
Infrared Fiber Systems, Inc.
Jafco — Ltd. Partnership
Pittsburgh Baseball Partnership
Modelpol
Rocky Mount Town Centre Associates, Limited Partnership
Safe Sites of Colorado L.L.C.
Senior Road Towers Partnership
Servicos Industriales Westinghouse C.A.
Stirling Engine Associates
Sure Tech, L.L.C.
Symphonetic Recording Society, L.L.C.
Gregory Environmental Systems, L.P.

Turbinas Y Generadores Turgenca C.A.
Vektron S.A.
Wb Bottling Corporation
Mojave Cogeneration Company, L.P.
Bala Cynwyd Associates
CBS/Group W Television Sales, Inc.
Miss Universe LP, LLLP
3 Arts Television
Meadowlands Pkwy 7 Associates
Comware Systems, Inc.
The CBS/Fox Company
Servicios Westinghouse De Mexico S.A. De C.V.
Westinghouse Energy Systems Europe S.A.
Palmetto Seed Capital Fund L.P.
Elektrik Technizati Imalati Tesisati, A.S.
Enwesa Servicios, S.A.
Golden Rose Communications PLC
Hyosung Industries Co., Ltd.
IC Enerco S.R.O. (Csfr)
International Venture Partnership
ISCOSA Industries and Maintenance Ltd.
Long Wei Power Generation Service Technology Company (Prc)
Pwr Power Project Systems Ltd.
Raftrans, S.A.
Shanghai Controls United, Limited
Shanghai Power Equipment Company Limited
Shanghai Turbine Company Limited
Shanghai Turbine Generator Company Limited
Asia Broadcast Centre
Group W Yarra Broadcast Co.
Westinghouse Energy Systems Europe S.A.
Westinghouse Industry Services Thailand Ltd
WESTRON
Shanghai Advanced Power Projects Co., Limited
Shanghai Boiler Works

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Defendants/Appellees/Cross-Appellants.

On Petition for Writ of Certiorari to the United States Court Of Appeals for the Ninth Circuit

PETITION FOR WRIT OF CERTIORARI

Petitioner Westinghouse Electric Corporation ("Westinghouse") respectfully prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Ninth Circuit in this case.

OPINIONS BELOW

The opinion of the Court of Appeals (App. A, *infra.*) is reported at 106 F.3d 894. The Order of the Court of Appeals denying the petition for rehearing with suggestion for rehearing en banc appears at the end of the published opinion (App. A, *infra.*). The opinion of the District Court reversing the jury's verdict on Westinghouse's trademark counterfeiting claim and ordering entry of judgment in favor of respondents (App. B, *infra.*) is reported at 852 F. Supp. 883.

JURISDICTION

The Court of Appeals entered its judgment on February 10, 1997. App. A, *infra.* A timely petition for rehearing

with suggestion for rehearing en banc was denied by the Court of Appeals on March 27, 1997. App. A, *infra*. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

The applicable provisions of the Lanham Act, as amended by the Trademark Counterfeiting Act of 1984, are 15 U.S.C. §§ 1114, 1116, 1117, and 1127. These provisions, as amended, are reprinted in their entirety in Appendix C to this Petition. App. C, *infra*.

STATEMENT OF THE CASE

This case concerns the counterfeiting and misuse of manufacturers' trademarks in connection with the sale of molded case circuit breakers ("MCCBs"), safety devices that interrupt electrical flow in the event of thermal overloads or short-circuits along electrical lines. In 1988, three MCCB manufacturers, Westinghouse, General Electric Company, and Square D Company, as well as Underwriters Laboratories Inc. ("UL"), a non-profit certifying agency for electrical products, brought suit against ten California vendors of industrial MCCBs and their principals. The defendant companies each bought and sold both new and used MCCBs originally manufactured by Westinghouse and others.

When selling used breakers, defendants did not simply sell them "as is." Instead, they typically opened up the breakers' cases and reconditioned them prior to sale. Since breakers may deteriorate in operation, defendants' reconditioning process often included replacing internal parts with used parts from other breakers. In addition, defendants often altered the breakers' amperage or voltage ratings or current interrupting capacity.

The final steps in defendants' reconditioning process typically consisted of cleaning the breakers, and, where the original rating labels on the breakers looked old or worn, affixing new rating labels bearing copies of the original manufacturer's trademarks. Defendants also affixed copies of UL certification labels to the breakers they reconditioned, although UL had not certified the breakers in reconditioned form. Defendants obtained the copied labels by photocopying genuine labels, having labels professionally printed, or both. When defendants changed amperage or voltage ratings on breakers, they attached labels indicating the modified, rather than the original, ratings. The fact that the amperage and voltage ratings had been changed from original manufacturer specifications was nowhere disclosed.

Defendants typically took great care to duplicate the exact appearance of the labels applied by the manufacturers to their breakers. Despite these elaborate labeling practices, however, defendants never marked the breakers as used or reconditioned. Nor did they indicate the condition of the products they sold on their sales invoices, or typically make any verbal disclosure of the condition of their breakers to customers. The evidence at trial also established that, before this litigation commenced, a customer ordering a circuit breaker from defendants ran the risk of receiving a reconditioned product, or a circuit breaker altered from its original amperage or voltage rating, without knowing it. Evidence at trial further indicated that some of the defendants acknowledged to their employees that their unauthorized copying of circuit breaker manufacturer's trademarks and application to their goods was illegal.

At the outset of the litigation, Square D Company obtained ex parte orders pursuant to the Trademark Counterfeiting Act of 1984 ("TCA") authorizing seizure of evidence from three of defendants' businesses. As a result of these orders, thousands of sheets of professionally printed or

photocopied labels bearing manufacture trademarks were seized, as well as used and reconditioned circuit breakers bearing such counterfeit labels.

In the present cases, Westinghouse asserted claims for trademark counterfeiting under the TCA, unfair competition under the Lanham Act, California statutory law and common law, and trademark dilution.[1] Westinghouse sought a permanent injunction forbidding defendants from reproducing its trademarks and requiring them to make full disclosure of the condition of the products they sold, plus treble damages or profits pursuant to the TCA for past counterfeiting activity.

Defendants admitted the facts underlying Westinghouse's claims. At trial, however, defendants contended that Westinghouse should be barred from relief by laches, acquiescence, estoppel and unclean hands, based upon evidence that its former electrical equipment retail division, WESCO, did substantial business with defendants before the lawsuit.

At the conclusion of the four-month trial, the jury received a verdict form for each group of defendants asking it to return verdicts both as to Westinghouse's affirmative claims and as to defendants' equitable defenses to each such claim. In each verdict form, the jury found for Westinghouse on its counterfeiting claim and Lanham Act and California law unfair competition claims, and against Westinghouse on its common law unfair competition and trademark dilution claims. With regard to Westinghouse's trademark counterfeiting claim, the jury also specifically found that defendants had intentionally used counterfeits of Westinghouse's trademarks, knowing them to be counterfeit, as required by the terms of the TCA.

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[1] In addition, several government agencies initiated investigations against various of the defendants, including a criminal investigation that led to indictment and conviction of two of the original defendants.

With regard to defendants' equitable defenses, the jury found that such defenses had been established as to each of Westinghouse's claims except the counterfeiting claim. With regard to that claim, the jury found that no equitable defenses had been proven. At the time the jury's verdict was returned, the district court accepted it and discharged the jury. Because the jury's verdict for Westinghouse on its counterfeiting claim supported an award of treble damages under the TCA, a subsequent damages trial was tried, by party agreement, to the court. This trial focused upon a calculation of defendants' profits from selling Westinghouse molded case circuit breakers bearing counterfeit labels.

Following the damages trial, the district court issued an Order for Judgment ("Order") in which it sua sponte reversed the jury's verdict as to Westinghouse's counterfeiting claim, and held that defendants had in fact established their equitable defenses to that claim. 852 F. Supp. at 897. The effect of the court's action was to set the jury's counterfeiting verdicts in Westinghouse's favor aside and enter judgment for the defendants — even though defendants had not filed a motion for judgment as a matter of law or otherwise challenged the legal sufficiency of the evidence to support the claims in Westinghouse's favor or the jury's verdicts as to the equitable defenses. In reversing the jury's verdicts, the Court did not apply the standard applicable to motions for judgment as a matter of law.

In its opinion, the court recognized that Westinghouse had established its affirmative claims for trademark counterfeiting and for unfair competition under the Lanham Act, as amended, and thus had proved that defendants had: sold reconditioned breakers bearing the Westinghouse trademark; failed to label them as reconditioned; done so without Westinghouse's consent; and created a likelihood of confusion. 852 F.Supp. at 887. Nonetheless, the court concluded that Westinghouse was entitled to no relief for the foregoing

conduct. *Id.* at 897. The court construed the jury's laches, acquiescence, and estoppel verdicts on Westinghouse's non-counterfeiting claims to establish that Westinghouse knew or should have known that defendants were reconditioning circuit breakers without disclosing their condition, and held such knowledge to disqualify Westinghouse from challenging defendants' actions. *Id.* at 895.

Although the jury expressly found defendants had not established any equitable defenses to Westinghouse's counterfeiting claims, the court dismissed these verdicts as immaterial. The court ruled that these verdicts were fatally inconsistent with the jury's equitable defense verdicts on the other claims because a determination that defendants proved their defenses to Westinghouse's section 1125 claim "should have mandated the same result" on the counterfeiting claim. *Id.* at 887.

The court concluded that the jury reached different verdicts on the defenses to the two claims due to an instruction that, since these two claims had different elements, a defense to one would not necessarily constitute a defense to the other. *Id.* at 892-93. In retrospect, the court decided, this instruction was wrong: these two claims possessed identical elements, and thus the jury should have rendered the same verdicts as to the defenses to both. *Id.* at 893-94. The court went on to hold, however, that its own legal error in giving an incorrect instruction was "harmless." *Id.* at 896. Claiming to know that, had the jury not been erroneously instructed, it would have rendered a verdict against Westinghouse on the counterfeiting claim defenses, the court reversed the jury's actual verdict and denied Westinghouse any damages. *Id.* at 897. In a later order, the court also denied Westinghouse injunctive relief. *In re Circuit Breaker Litigation,* 860 F. Supp. 1453 (C.D. Cal. 1994).

The Court of Appeals for the Ninth Circuit affirmed the district court judgment in all respects. The Ninth Circuit

panel did not undertake any independent review of the district court conclusion that the verdicts were "inconsistent," nor did it question the district court's failure to respect the jury's verdicts. Instead, the panel simply agreed with the district court that the jury instructions erroneously focused the jury on an irrelevant feature of Westinghouse's counterfeiting claim — the fact that Westinghouse had been required to prove the use of *duplicate*, or counterfeit, marks in order to prevail on its counterfeiting claim. 106 F.3d at 899.

The appellate panel's conclusion was based on its decision that conduct that would support a *counterfeiting* cause of action under the TCA is no more likely to deceive the public than conduct giving rise to a generic trademark *infringement* claim. 106 F.3d at 900. Based on this rationale, and without referring to the language of the TCA, the panel held that "duplication is not an element of a trademark counterfeiting claim." *Id.*

The panel further held that, given the jury instruction that the court believed to be in error, the district court properly "disrupt[ed]" Westinghouse's jury verdict on the counterfeiting claim, *id.* at 901, and properly entered judgment against it based on the application of the "correct law to the jury's 'implicit factual findings.' " *Id.* at 903. Although no party had made a motion for judgment as a matter of law, the panel reasoned that the reversal of the jury verdict due to inter-claim inconsistency did not "intrud[e] on the province of the jury." *Id.*

Westinghouse then filed a petition for rehearing with suggestion for rehearing en banc, which was denied. 106 F.3d at 904.

Reasons For Granting The Petition As To The First Question

The Ninth Circuit Opinion Disregards The Statutory Framework And Conflicts With An Opinion Of The Court Of Appeals For The Eleventh Circuit

The opinion below improperly treated Westinghouse's trademark counterfeiting claim under the TCA as though it were identical to a generic trademark infringement claim under the Lanham Act. In so holding, the Ninth Circuit lost sight of the distinction between trademark counterfeiting claims and other Lanham Act claims. In particular, the Ninth Circuit read out of the TCA the requirement that the defendants' conduct constitute "counterfeiting," as opposed to other types of trademark misuse. The Ninth Circuit's decision thus creates a conflict with the decisions of other courts, including the Court of Appeals for the Eleventh Circuit, which have recognized the material distinction between counterfeiting and non-counterfeiting trademark claims.

Since its enactment in 1946, the Lanham Act has made illegal the "use in commerce [of] any reproduction, counterfeit, copy, or colorable imitation of a registered mark" in connection with the sale of goods or services in a manner likely to cause consumer confusion. See 15 U.S.C. § 1114(1)(a). Courts generally refer to claims brought pursuant to section 1114 as "trademark infringement" claims. *See, e.g., Polo Fashions, Inc. v. Dick Bruhn, Inc.*, 793 F.2d 1132, 1133 (9th Cir. 1986). Courts have interpreted the reach of section 1114 broadly, in light of its general purpose to protect the consuming public from confusion as to the origin of goods. *See, e.g., International Order of Job's Daughters v. Lindegerg & Co.*, 633 F.2d 912, 918 (9th Cir. 1980). Thus, courts have concluded that a wide variety of activities can constitute "trademark infringement" in violation of § 1114(1)(a), including the sale under the

"SHELL" trademark of bulk oil purchased from authorized Shell Oil Company distributors by a wholesaler unaffiliated with Shell, *Shell Oil Co. v. Commercial Petroleum, Inc.*, 928 F.2d 104, 107 (4th Cir. 1991), and the sale of shoes manufactured with the trademark holder's authorization but without permission to distribute them, *El Greco Leather Prods. Co. v. Shoe World, Inc.*, 806 F.2d 392, 393 (2d Cir. 1986).

During the 1980s, however, Congress recognized that the limited remedies available to a successful section 1114 claimant — essentially single damages and costs — were largely ineffective in deterring a particular and specific form of infringement: counterfeiting. Congress's concern stemmed from the fact that "counterfeiting is a uniquely pernicious form of trademark infringement." S. Rep. No. 98-526, at 2 (1984), *reprinted in* 1984 U.S.C.C.A.N. 3627, 3628 [hereinafter Senate Report]. "This conduct is the most extreme form of trademark infringement: it involves knowing use of a spurious mark that is identical, or virtually identical, to a registered trademark." Id. at 10, 1984 U.S.C.C.A.N. at 3636.

The ineffectiveness of traditional Lanham Act remedies was due in part to the fact that modern technology has made it easier to reproduce trademarks than it was in the past. *See* Trademark Counterfeiting Act of 1983: Hearing before the Subcommittee on Patents, Copyrights and Trademarks of the Senate Committee on the Judiciary, 98th Cong., 1st Sess. 16 (Sept. 14, 1983). Furthermore, prior to the enactment of the Trademark Counterfeiting Act, a counterfeiter could essentially "steal substantial property rights, get caught, and suffer nothing more than a temporary delay in distribution." *See* Trademark Counterfeiting Act of 1984: Hearings on H.R. 2447 Before the Subcommittee on Crime of the House Committee on the Judiciary, 98th Cong., 1st Sess. 13 (Oct. 20, 1993). Simply put, the Lanham Act "was

an ineffective tool for stemming the counterfeiting tide." 2 Jerome Gilson, Trademark Protection & Practice § 5.10[1], at 5-188 (rev. ed. 1997); *see also* Senate Report at 5 ("penalties under the [Lanham] Act have been too small, and too infrequently imposed, to deter counterfeiting significantly").

The perceived lack of deterrent effect of the Lanham Act remedies was especially troubling in light of the growing "epidemic" of counterfeiting. *See Montres Rolex S.A. v. Snyder*, 718 F.2d 524, 528 (2d Cir. 1983). Indeed, by the early 1980s, counterfeiting practices had expanded from their traditional industries — apparel, luggage, etc. — to include computer hardware and software, battery packs, integrated circuits, machine tool dies, toasters, and, of particular interest in this case, circuit breakers. *See Gilson, supra*, § 5.10[1] at 5-188, citing Final Report on Investigation No. 332-158 Under Section 332(b) of the Tariff Act 1930, The Effects of Foreign Product Counterfeiting on U.S. Industry, USITC Pub. 1479, 1984; *see also* Senate Report at 4 ("Many counterfeiters today sell products that pose a serious threat to public health and safety.")

It was in this context that Congress enacted the Trademark Counterfeiting Act of 1984 (P.L. 98-473, 98 Stat. 2178). In addition to making trademark counterfeiting a crime, *see* 18 U.S.C. § 2320, the TCA amended the civil Lanham Act in two important ways. First, it provided courts with the authority, under certain enumerated circumstances, to issue *ex parte* orders for the seizure of counterfeit marks and related evidence. 15 U.S.C. § 1116(d)(1)(A). Second, it required — absent extenuating circumstances — an award of treble damages or treble profits upon proof that the defendant intentionally used a counterfeit mark, knowing it to be counterfeit. 15 U.S.C. § 1117(b). Thus, in enacting the TCA, Congress narrowed its focus from the broad application of section 1114, which encompassed "any repro-

duction, counterfeit, copy, or colorable imitation of a registered mark," to what was perceived as the most egregious form of trademark misuse — counterfeiting.

Accordingly, in order to take advantage of the provisions of the TCA, Congress required plaintiffs to show the use of an actual "counterfeit mark," as defined by the Act. For example, under the terms of the TCA, a court can issue an *ex parte* seizure order only when plaintiff has brought an action "under section 1114(1)(a) ... with respect to a violation that *consists of using a counterfeit mark.*" 15 U.S.C. § 1116(d)(1)(A) (emphasis added). Similarly, treble damages are mandatory only in the case of a "violation of section 1114(1)(a) ... that *consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark* (as defined in section 1116(d) ...)." 15 U.S.C. § 1117(b) (emphasis added).

Thus, a claim for trademark counterfeiting pursuant to the TCA requires proof not just of the elements of a general infringement claim under section 1114(1)(a), but also requires proof that the defendant (a) used "counterfeit" marks, as defined by the Act, and (b) did so intentionally, knowing the marks to be counterfeit. Indeed, the Court of Appeals for the Eleventh Circuit has explicitly acknowledged the additional elements of a claim under the TCA. In *Babbit Elec., Inc. v. Dynascan Corp.*, 38 F.3d 1161 (11th Cir. 1994), the court recognized that the plaintiff's infringement claim (pursuant to section 1114(1)(a)) and trademark counterfeiting claim (pursuant to the TCA) were distinct claims. *See id.* at 1178-1181. Specifically, the *Eleventh Circuit* held that a trademark counterfeiting claim requires proof of elements beyond those necessary to establish a section 1114(1)(a) infringement claim. *Id.* at 1181 ("In order for Dynascan to prevail on its counterfeiting claim, it must demonstrate that Babbit infringed a registered trademark in violation of 15 U.S.C. § 1114(1)(a), and it

must prove that Babbit 'intentionally used a mark, knowing such mark is a counterfeit mark.' 15 U.S.C. § 1117(b)."); *see also Karsten Mfg. Corp. v. Oshman's Sporting Goods, Inc.*, 869 F. Supp. 778, 780-81 & n.5 (D. Ariz. 1994) (noting that the TCA provides for treble damages whereas prejudgment interest is allowed for a violation *either* of section 1114 or of the TCA); *Nintendo of America, Inc. v. Ketchum*, 830 F. Supp 1443, 1445 (M.D. Fla. 1993) (recognizing a distinct claim for "counterfeiting" pursuant to the TCA).

In this case, Westinghouse asserted two separate trademark claims against the defendants. First, Westinghouse alleged a claim for "unfair competition" pursuant to 15 U.S.C. § 1125 of the Lanham Act, relating to defendants' failure to label their products as used or reconditioned. This claim, as tried to the jury, was directed at defendants' practice of selling used and reconditioned circuit breakers, bearing original Westinghouse labels containing Westinghouse's trademarks, without disclosing the fact that the breakers were not new.

In addition, Westinghouse brought a separate claim under the TCA. Whereas Westinghouse's unfair competition claim was primarily directed to defendants' acts of omission — their failure to label their products as used or reconditioned, or otherwise disclose their condition — its TCA claim addressed defendants' more culpable acts of commission — their affirmative misconduct in creating and affixing *counterfeit* Westinghouse trademarks to those used and/or reconditioned breakers whose original labels were too worn to be passed off as new, in an effort to make them appear new to customers. Throughout the four-month trial, and consistent with the legislative history and the caselaw cited above, both Westinghouse and the defendants understood this counterfeiting claim to require proof of elements additional to those required for a general infringement claim,

including the actual counterfeiting of Westinghouse's trademarks, and the knowledge that such marks were counterfeit. Westinghouse specifically undertook this additional burden so that it could avail itself of the provisions in the TCA allowing ex parte seizures and treble damages.

Given the statutory definition of "counterfeit" marks, *only* defendants' unauthorized duplication of Westinghouse's registered trademarks could support a claim for trademark counterfeiting. The TCA's damages provision authorizing awards of treble damages and attorney's fees applies only in the case of a violation of section 1114(1)(a) "that consists of intentionally using a mark ... knowing such mark ... is a counterfeit mark (as defined in ... 15 U.S.C. § 1116(d)). 15 U.S.C. § 1117(b). Section 1116(d) of the TCA, in turn, defines a "counterfeit mark" as a "counterfeit" of a mark in use and registered with the United States Patent and Trademark Office for the particular product or good to which it is applied.

The definition of precisely what constitutes a "counterfeit" is provided by section 1127 of the Lanham Act, which predates the TCA. This section, which Congress can be presumed to have had in mind when it enacted the TCA, defines a "counterfeit" mark as "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." Thus, a counterfeit mark must be "spurious," *i.e.*, false. While an unauthorized duplicate attached to a product by a third party in a manner leading to customer confusion meets this description, an original trademark placed on a good by the trademark owner itself does not. Indeed, the TCA explicitly *excludes* from its definition of counterfeiting instances in which the trademark was affixed by someone with authorization to do so (as Westinghouse clearly was when attaching its own trademarks to its own goods). 15 U.S.C. § 1116(d)(1)(B). Thus, although defendants' unauthorized copying activity, which deceived

customers as to the condition of their goods, could properly be deemed trademark counterfeiting, their retention of original Westinghouse trademarks on the used and reconditioned goods they sold without adequate disclosure of their condition, although actionable under other provisions of the Lanham Act, could not represent counterfeiting activity.

The separate factual basis for Westinghouse's counterfeiting and non-counterfeiting claims, stemming from the relevant statutory language, was recognized both before and during the trial. Thus, the pretrial order reflected that the counterfeiting claim differed from the unfair competition claim in involving the factual question of "[w]hether the defendants' use of the replacement rating labels constitute[d] trademark counterfeiting." As the trial drew to an end, the parties *jointly* submitted jury instructions describing the two Lanham Act claims as distinct, and properly informing the jury that Westinghouse, to prevail on its counterfeiting claim, had to prove defendants' use of counterfeit marks. Indeed, even defense counsel's closing remarks reflect the shared understanding of the counterfeiting claim: "There is one count . . . that requires replacement labels on it." Thus, Westinghouse prepared and tried its case on the understanding that it was required to prove each element of a *TCA* claim, not a general infringement claim under section 1114(1)(a).

Moreover, Westinghouse was successful. The jury specifically found that Westinghouse had proved its claim for trademark counterfeiting, and that the defendants had not proved any equitable defense to that claim.[2]

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[2]By contrast, the jury found that Westinghouse had proved its unfair competition claim under section 1125, but that defendants had established equitable defenses to that claim, including estoppel, laches, and unclean hands. The jury's distinguishing between the two claims is perfectly logical and supported by the evidence, which showed that although Westinghouse may have known of defendants' activities giving

In its opinion, however, the Ninth Circuit obliterated the distinctions between a TCA claim and a general infringement claim pursuant to section 1114(1)(a), in direct conflict with the opinion of the Court of Appeals for the Eleventh Circuit. In determining that it could properly "upset one jury verdict in favor of Westinghouse," 106 F.3d at 896, to conform to the jury's opposite verdict on Westinghouse's unfair competition claims, the Ninth Circuit necessarily concluded that there was no material distinction between the claims. Brushing aside the fact that Westinghouse had asserted a counterfeiting claim, the Ninth Circuit noted that the "aim of section 1114 is broader than the prohibition of 'counterfeiting.' " *Id.* at 899. While true, this statement is irrelevant, given that Westinghouse prosecuted a specific counterfeiting claim, not a generic section 1114 claim.[3]

In short, the opinion rests on the faulty premise that "[s]ection 1114 of the Lanham Act . . . establishes the trademark counterfeiting cause of action." *Id.* However, as described above, section 1114, by itself, merely establishes a

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rise to the unfair competition claim, it had no knowledge, until shortly before filing suit, that defendants were engaged in affirmative acts of trademark counterfeiting.

[3]In purporting to describe Westinghouse's position on appeal, the Court of Appeals again conflated the distinction between a counterfeiting claim and a generic section 1114 claim, wrongly characterizing Westinghouse as arguing that the retention of an original Westinghouse label on a reconditioned good sold without disclosure of its condition could not constitute counterfeiting because "original labels are not a 'reproduction, counterfeit, copy or colorable imitation.' " *Id.* Once again, the statutory language quoted by the Ninth Circuit, however, tracks that of a generic section 1114 infringement claim, not a counterfeiting claim. Moreover, Westinghouse never asserted that misuse of an original label could not constitute infringement under section 1114; it merely argued that such conduct could not constitute the subset of actionable activity under section 1114 that qualifies as "counterfeiting" under the TCA.

general infringement claim, not a counterfeiting claim pursuant to the TCA. See also Babbit, 38 F.2d at 1181.

The panel's fundamental error in this regard blinded it to the singular requirements of claims pursuant to the TCA. Indeed, while occasionally acknowledging that Westinghouse brought an action for trademark counterfeiting, rather than for infringement, *see, e.g.*, 106 F.3d at 899,[4] the Ninth Circuit panel at no point in the opinion cites any of the provisions of the TCA. Instead, the Ninth Circuit held that a defendant can be held liable in a trademark counterfeiting claim for precisely the same activity as would support liability for a generic section 1114 infringement claim. *See id.* (holding that a trademark counterfeiting claim reaches the same conduct as a section 1114(1)(a) claim). This, of course, is wrong. A defendant violates the TCA only when it intentionally uses a counterfeit mark, as defined in the Act, knowing it to be counterfeit. As demonstrated by the facts of this case, the requirement that the trademark actually be counterfeit is, contrary to the Ninth Circuit's assumption, not trivial. One who sells a reconditioned good in the marketplace without labeling it as reconditioned may be causing a likelihood of confusion either out of laziness, negligence, or deliberate intent — when, as here, however, he goes to the trouble of creating counterfeit trademarks and applying them without authorization to his products, he removes all doubt as to the innocence of his motives.

In its decision below, the Ninth Circuit panel defines "counterfeit" without reference to the definition set forth in the TCA. Instead, the panel simply ignores the statutory definition, set forth at 15 U.S.C. § 1116(d)(1)(B), and

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[4]The panel also at times describes Westinghouse's claim as a trademark infringement claim. *E.g.*, 106 F.3d at 896. The panel's failure to describe the claim properly is consistent with is fundamental error in failing to recognize that infringement and counterfeiting claims have distinct elements.

weaves its own definition of "counterfeit" out of whole cloth. Thus, the panel acknowledges that "[t]he original Westinghouse labels are not themselves 'counterfeits' in the literal sense." 106 F.3d at 899. However, based on nothing more than reference to the "purposes" of section 1114 (which are, of course, distinct from the purposes underlying the TCA, the statute at issue), the panel concludes that "the duplicate/original distinction is not relevant to a trademark counterfeiting claim." *Id.*

Congress enacted the TCA to address the specific harms of counterfeiting. Because of its severe penalties, Congress reasonably limited the TCA's reach to instances in which defendants use "counterfeit marks" as defined in the TCA. In its opinion, however, the Ninth Circuit supplanted the statutory definition of "counterfeit marks" with its own — one that is unsupported by any relevant legal authority and bears no relationship to the terms of the statute.[5]

The Ninth Circuit opinion dramatically expands the reach of the TCA, implicitly authorizing *ex parte* seizures and treble damages in any circumstances that would support a general infringement claim under section 1114. The effect is to thwart Congressional intent by writing the limitations of the TCA out of existence. Moreover, the opinion conflicts with the Eleventh Circuit opinion in *Babbit*, which explicitly recognizes that a claim under the TCA can succeed only in the limited circumstances set forth in the statute. As a consequence of this split, a plaintiff in the Ninth Circuit can

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[5]The Ninth Circuit's analysis also conflicts with how Congress understood the term "counterfeit mark." See Trademark Counterfeiting Act of 1984: Hearings on H.R. 2447 Before the Subcommittee on Crime of the House Committee on the Judiciary, 98th Cong., 1st Sess. 12 (statement of James L. Bikoff, President, the International Anti-Counterfeiting Coalition) (describing commercial counterfeiting as the practice of placing a false trademark on a product, thereby making the product superficially indistinguishable from the genuine article).

obtain an *ex parte* seizure order and treble damages without offering evidence of the intentional use of a "counterfeit mark," as defined in the statute. Indeed, under the Ninth Circuit view, misuse of an original mark, as opposed to a counterfeit, supports a cause of action for trademark counterfeiting. By contrast, a plaintiff in the Eleventh Circuit (and presumably all others as well) must prove the elements actually required by the statute.

Reasons for Granting the Petition as to the Second Question

The Ninth Circuit Opinion Is Inconsistent With This Court's Decision In Dunn And Is Inconsistent With Rule 50 Of The Federal Rules Of Civil Procedure

The Ninth Circuit panel's confusion with regard to the distinctions between a generic infringement claim and a claim for trademark counterfeiting under the TCA led it to commit another legal error, this one of constitutional magnitude. Because both the district and the appellate courts conflated the elements of Westinghouse's two separate Lanham Act claims, both courts perceived an "inconsistency" between the jury's verdict on the unfair competition claim (which the jury found was barred by several equitable defenses) and the verdict on the counterfeiting claim (which the jury found was not barred by any equitable defenses). *See 852 F. Supp. at 887;* 106 F.3d at 903.[6]

[6] In fact, these verdicts were perfectly consistent under a variety of theories. For example, the jury could have concluded that Westinghouse knew or should have known about defendants' sale of reconditioned breakers without disclosing their condition, but neither knew nor should have known about the affirmative acts of counterfeiting Westinghouse labels to facilitate customer confusion as to the condition of the products. Alternately, the jury could have found that, regardless of Westinghouse's knowledge, the defendants were disqualified from asserting equitable defenses to the counterfeiting claim because this affirmative conduct evidenced bad faith or wrongful intent on the part of

Based solely on the perceived inconsistency, which the district and appellate courts attributed to instructional error, the district court *reversed* the jury verdict on the counterfeiting claim. Defendants, however, had not made a motion for judgment as a matter of law pursuant to Fed. R. Civ. P. 50, nor had they otherwise challenged the legal sufficiency of Westinghouse's evidence in support of the counterfeiting claim. Even the district court itself acknowledged that "[t]he jury's answers were absolutely consistent with both the instructions and the evidence presented." 852 F. Supp. at 887.

The Ninth Circuit panel nonetheless affirmed the district court's reversal of the jury verdict, reasoning as follows:

> [W]here an identifiable error affected only one of the jury verdicts, and the factual findings necessarily determined by the jury can be discerned from the other verdicts, there is nothing to be gained from a new trial. In these circumstances, a trial court may apply the correct law to the jury's implicit factual findings and enter judgment accordingly.

106 F.3d at 903. The Constitutional error in the Ninth Circuit's reasoning is its erroneous belief that a trial court can glean the factual findings underlying a jury's verdicts, even where, as here, the jury does not render *any* findings apart from the verdicts themselves.

In parsing the jury's verdicts as it did, the Ninth Circuit lost sight of the fundamental principle that courts have an obligation to uphold jury verdicts supported by sufficient evidence, even when they are inconsistent with verdicts as to other claims. Rather than asking the critical question of

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defendants, which bad faith was not inherent in defendants' mere acts of omission, *i.e.*, their acts of unfair competition in selling used and reconditioned breakers bearing original Westinghouse trademarks without disclosing that they were non-new.

whether the jury's verdicts in Westinghouse's favor were justified by the evidence in the record, the Ninth Circuit instead asked whether the district court's *reversal* of the jury's verdicts could be justified as a proper exercise of the trial court's authority.

Thus, like the district court, the Ninth Circuit assumed that the jury's verdicts with regard to the non-counterfeiting claims were its "true" verdicts, and proceeded to deduce the jury's "implicit factual findings" on the basis of such verdicts. The Ninth Circuit then concluded that these "implicit factual findings" inherent in the non-counterfeiting claims were inconsistent with a verdict in Westinghouse's favor on its counterfeiting claim and conformed the verdicts on the former claims to agree with the verdict on the latter.

The Ninth Circuit's conclusion necessarily flows from its starting point. Had the Ninth Circuit instead started from the premise that the counterfeiting verdicts were instead the jury's "true" verdicts, it could just as easily have determined that the "implicit factual findings" underlying those verdicts were inconsistent with the verdicts on the non-counterfeiting claims, and reconciled the latter to conform to the former.

It is precisely to avoid the situation here, where a court selects from among a variety of possible interpretations of a jury's verdicts the interpretation the court prefers, that the Seventh Amendment prohibits district courts from probing the thought processes of jurors in search of "implicit factual findings." *See United States v. Heimann*, 705 F.2d 662, 670 (2d Cir. 1983). Where a jury reaches seemingly inconsistent verdicts on different claims, it is simply impossible to determine what was in the collective mind of the jury: the decision might have resulted from lenity, compromise, or some perceived distinction among the different causes of action. *See United States v. Powell*, 469 U.S. 57, 65 (1984); *Merchant v. Ruhle*, 740 F.2d 86, 90 (1st Cir. 1984).

Courts cannot blithely disregard juries' unanimous judgments as to who should win and who should lose a case. Nor can a court presume to know which of a pair of "inconsistent" verdicts is correct. As Judge Easterbrook has written,

> Plaintiffs may not simply assume . . . that the "right" verdicts are the ones in [their] favor. The problem here is inconsistency, not a judgment in the teeth of the evidence . . . . The plaintiffs are not entitled to judgment notwithstanding the verdict or a new trial unless no rational jury could have brought back a verdict for the defendants . . . . The evidence here was conflicting; a verdict against all 12 plaintiffs would have been sustained, as a verdict for all 12 defendants would have been.

Will v. Comprehensive Accounting Corp., 776 F.2d 665, 678 (7th Cir. 1985). Because the jury's thought processes are inherently unknowable, a court cannot choose to uphold some of the jury's verdicts but not others — so long as the verdicts are supported by substantial evidence, they must be accepted. *See Borel v. Fibreboard Paper Prods. Corp.*, 493 F.2d 1076, 1094 (5th Cir. 1973) (inconsistent general verdicts are "the jury's prerogative if . . . there is evidence to support the finding reached by the jury").

As this Court has noted, although inconsistencies between verdicts on different claims may "present a situation where 'error' . . . most certainly has occurred . . . it is unclear whose ox has been gored." Powell, 469 U.S. at 65. Accordingly,

> an individual assessment of the reason for the inconsistency would be based either on pure speculation, or would require inquiries into the jury's deliberations that courts generally will not undertake . . . . [O]nce the jury has heard the evidence and the case has been submitted, the litigants must accept the jury's collec-

> tive judgment. Courts have always resisted inquiring into a jury's thought processes.

Id. at 66-67; *Merchant*, 740 F.2d at 90 ("inconsistent verdicts represent two unanimous determinations . . . that liability existed [and] that in view of mitigating or other factors, damages should be limited to something less than full consequences").

Thus, the Ninth Circuit's judgment contravenes years of settled Supreme Court and circuit court authority. When a federal court is faced with seemingly inconsistent verdicts, its inquiry is limited to determining whether each of the verdict is supported by sufficient evidence; the inconsistency in verdicts on different claims, by itself, does not create an impediment to judgment. *See Dunn v. United States*, 284 U.S. 390, 393-94 (1932) ("Consistency in the verdict is not necessary . . . . That the verdict may have been the result of compromise, or of a mistake on the part of the jury, is possible. But verdicts cannot be upset by speculation or inquiry into such matters.").

Dunn was a criminal case. Although this Court has never expressly extended its holding to civil cases, a number of circuit courts have done so.[7] *See United States Football League v. National Football League*, 842 F.2d 1335, 1353 n.17 (2d Cir. 1988) ("inconsistent verdicts in a civil case are fully permissible"); *Lusby v. T.G. & Y. Stores, Inc.*, 749 F.2d 1423, 1434 n.6 (10th Cir. 1984) (inconsistency among claims "does not require reversal of the judgment . . . so long as there is sufficient evidence to support the jury's verdict on the claim on which they found liability"); *Hines v. IBG Int'l Inc.*, 813 F.2d 1331, 1334 (4th Cir. 1987) (even if a jury's "verdicts are inscrutable . . . their apparent inconsistency is

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[7] A grant of review in this case would allow this Court to decide this important question and put to rest any uncertainty about the breadth of the *Dunn* holding.

not fatal"); *Merchant v. Ruhle*, 740 F.2d 86, 91 (1st Cir. 1984) (noting that federal courts show "substantial reluctance to consider inconsistency in civil jury verdicts a basis for new trials"); 6A Moore, Federal Practice, § 59.08[4] at 59-130 (2d ed. 1995) ("if a verdict for or against a party is proper[,] that verdict should not be set aside because the jury, albeit inconsistently, did not similarly find on another claim").

The Ninth Circuit opinion gives short shrift to these important concerns. While recognizing that "in most cases where a jury renders inconsistent verdicts, the trial judge must allow those verdicts to stand," 106 F.3d at 903, the opinion establishes an unprecedented exception to that long established rule: it is acceptable to reverse an amply supported jury verdict when the trial court thinks it can discern the jury's "implicit factual findings" based on the court's supposition as to what the jury "must have" intended, and then to apply the law to those implied factual findings. *Id.* Westinghouse is aware of no other circuit opinion establishing a similar exception to the well-settled rule of tolerance for inconsistent verdicts.

The Ninth Circuit panel's "exception" to the *Dunn* rule also provides an end-run around the strict dictates of Fed. R. Civ. P. 50(a)(1), which sets forth the conditions under which a trial court can grant judgment as a matter of law.[8] Pursuant to Rule 50, a court can grant to a moving party judgment as a matter of law only when "there is no legally sufficient evidentiary basis for a reasonable jury to find for *that* party on *that* issue." *Id.* (emphasis added). Judgment as a matter of law cannot be entered when a verdict is based on "such relevant evidence as reasonable minds might

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[8] Westinghouse believes that, in reversing the jury verdict, the district court essentially granted the defendants judgment as a matter of law on the trademark counterfeiting claim, notwithstanding that defendants had made no motion or request for such relief.

accept as adequate to support a conclusion even if it is possible to draw two inconsistent conclusions from the evidence." *Landes Constr. Co. v. Royal Bank of Canada*, 833 F.2d 1365, 1366-67 (9th Cir. 1987). Here, of course, the district court made no such finding. To the contrary, as stated above, it explicitly found that all jury verdicts were "absolutely consistent with both the instructions and the evidence presented." *See* 852 F. Supp. at 887.

The Ninth Circuit panel attempts to justify its departure from Supreme Court and sister circuit precedent by reference to the limited circumstances of this case. *See, e.g.*, 106 F.3d at 902 ("the facts of this case present a seemingly rare situation"). Respectfully, however, no set of facts, regardless of their apparent rarity, could justify the panel's refusal to abide by the rule of *Dunn* and its progeny. Nor can any set of facts justify a court's granting judgment as a matter of law absent a finding that the verdict reversed is unsupported by the evidence. The Ninth Circuit opinion sanctions both these departures from settled law. This Court should therefore grant review to clarify that the *Dunn* rule admits of no exceptions, and that trial courts cannot reverse a seemingly inconsistent jury verdict, except in those situations that would justify the grant of judgment as a matter of law.

CONCLUSION

The petition for writ of certiorari should be granted.

Dated June 25, 1997

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APPENDIX A

APPENDIX A

WESTINGHOUSE ELECTRIC CORPORATION,
Plaintiff-Counter-Defendant-Appellant,

v.

GENERAL CIRCUIT BREAKER & ELECTRIC SUPPLY INC.;
AC CIRCUIT BREAKER-ELECTRIC SUPPLY, INC.;
GENERAL CIRCUIT BREAKER & ELECTRIC SUPPLY INC.;
XAVIER CONTRERAS; PENCON INTERNATIONAL, INC.;
GENERAL MAGNETICS/ELECTRIC WHOLESALE;
THE ESTATE OF CHARLEY CONTRERAS;
PANELBOARD SPECIALTIES WHOLESALE ELECTRIC, INC.;
JAIME A. CONTRERAS,
Defendants-Appellees,

JOE A. CONTRERAS,
Defendant-Counter-Claimant-Appellee.

IN RE CIRCUIT BREAKER LITIGATION

WESTINGHOUSE ELECTRIC CORPORATION,
Plaintiff-Counter-Defendant-Appellant,

v.

AC CIRCUIT BREAKER-ELECTRIC SUPPLY, INC.; JOE A.
CONTRERAS; GENERAL CIRCUIT BREAKER & ELECTRIC
SUPPLY INC.; XAVIER CONTRERAS; PENCON
INTERNATIONAL, INC.; THE ESTATE OF CHARLEY
CONTRERAS; PANELBOARD SPECIALTIES WHOLESALE
ELECTRIC, INC.; GENERAL MAGNETICS/ELECTRIC
WHOLESALE; JAIME A. CONTRERAS,
Defendants-Counter-Claimants-Appellees.

WESTINGHOUSE ELECTRIC CORPORATION,
Plaintiff-Counter-Defendant-Appellee,

v.

GENERAL CIRCUIT BREAKER & ELECTRIC SUPPLY INC.; JOE A. CONTRERAS; AC CIRCUIT BREAKER-ELECTRIC SUPPLY, INC.; GENERAL CIRCUIT BREAKER & ELECTRIC SUPPLY INC.; XAVIER CONTRERAS; PENCON INTERNATIONAL, INC.; GENERAL MAGNETICS/ELECTRIC WHOLESALE; THE ESTATE OF CHARLEY CONTRERAS,
Defendants-Counter-Claimants,

and

PANELBOARD SPECIALTIES WHOLESALE ELECTRIC, INC.; JAIME A. CONTRERAS,
Defendants-Counter-Claimants-Appellants.

WESTINGHOUSE ELECTRIC CORPORATION,
Plaintiff-Counter-Defendant-Appellee,

v.

GENERAL CIRCUIT BREAKER & ELECTRIC SUPPLY INC.; JOE A. CONTRERAS; AC CIRCUIT BREAKER-ELECTRIC SUPPLY, INC.; GENERAL CIRCUIT BREAKER-ELECTRIC SUPPLY INC.; XAVIER CONTRERAS; PANELBOARD SPECIALTIES WHOLESALE ELECTRIC, INC.; JAIME A. CONTRERAS,
Defendants-Counter-Claimants,

and

Pencon International, Inc.;
General Magnetics/Electric Wholesale;
The Estate of Charley Contreras,
Defendants-Counter-Claimants-Appellants.

IN RE CIRCUIT BREAKER LITIGATION

WESTINGHOUSE ELECTRIC CORPORATION,
Plaintiff-Counter-Defendant-Appellant-Cross-Appellee,

v.

GENERAL CIRCUIT BREAKER & ELECTRIC SUPPLY CO.; XAVIER CONTRERAS; AC CIRCUIT BREAKER-ELECTRIC SUPPLY, INC.; JOE A. CONTRERAS; PENCON INTERNATIONAL, INC.; THE ESTATE OF CHARLEY CONTRERAS; GENERAL MAGNETICS/ELECTRIC WHOLESALE; PANELBOARD SPECIALTIES WHOLESALE ELECTRIC, INC.; JAIME A. CONTRERAS,
Defendants-Counter-Claimants-Appellees-Cross-Appellants.

Nos. 94-56436, 94-56709, 94-56765, 94-56769, 94-56771.

United States Court of Appeals, Ninth Circuit.

Argued and Submitted Oct. 8, 1996.

Decided Feb. 10, 1997.

Order Amending Caption and Denying Rehearing and Rehearing En Banc March 27, 1997.

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Mark D. Rutter (argued), Moore, Rutter & Evans, Long Beach, CA, and Michael J. Emling, Law Offices of Michael J. Emling, Long Beach, CA, for defendants-appellees-cross-appellants Pencon International, Inc., General Magnetics/Electric Wholesale, and the Estate of Charley Contreras.

Appeals from the United States District Court, for the Central District of California, Richard A. Gadbois, District Judge, Presiding. D.C. Nos. CV-88-03012-RG, CV-88-03012-RG-2.

Before: BRUNETTI, TROTT and THOMAS, Circuit Judges.

TROTT, Circuit Judge.

I. OVERVIEW

This appeal arises from a suit brought by Westinghouse Electric Corporation ("Westinghouse") against several electronics vendors ("defendants") for reselling used Westinghouse circuit breakers after reconditioning them and attaching labels bearing the Westinghouse trademark.[1] After a jury trial, the district court entered judgment in favor of the defendants on all of Westinghouse's claims. In reaching this judgment, the district court upset one jury verdict in favor of Westinghouse on its trademark infringement claim. The district court concluded that this verdict had resulted from an erroneous jury instruction regarding the elements necessary to prove the defendants' affirmative defenses of estoppel, acquiescence, and laches. That instruction had required the defendants to show that Westinghouse knew the defendants were copying the Westinghouse trademark — rather than merely using an original trademark

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[1]The cross-appellants' motions for leave to file final supplemental excerpts are granted.

without permission — in order to establish their affirmative defenses. To correct the instructional error, the district court examined the pattern of jury verdicts, determined the facts necessarily found by the jury in reaching those verdicts, and applied the correct law to those implicit factual findings. This application led the district court to set aside the jury's verdict on the trademark infringement claim and enter judgment in favor of the defendants on all claims.

On appeal, Westinghouse argues that the district court erred: 1) by concluding that the jury instructions misstated the law; 2) by upsetting the jury verdict as a remedy for the instructional error rather than ordering a new trial; and 3) by denying Westinghouse's request to permanently enjoin the defendants from misusing the Westinghouse trademark. We agree with the district court's holding that the jury instructions focused the jury's attention on an irrelevant concern — whether Westinghouse knew the labels were duplicated rather than simply used without permission. Because in the limited circumstances of this case it is possible to determine the jury's implicit factual findings from the pattern of verdicts and thereby to remedy the prejudice caused by the flawed instructions, we affirm the district court's entry of judgment against Westinghouse. Also, because the district court's reasons for denying the permanent injunction are legally sufficient and well-supported by the record, we affirm the district court's order denying the injunction.

II.
FACTUAL AND PROCEDURAL BACKGROUND

A. The Parties

Westinghouse manufactures "molded case circuit breakers," safety devices that interrupt electrical flow in the event of an overload or short-circuit. Westinghouse attaches labels

to each breaker. The labels bear the Westinghouse trademark and, as required by various electrical codes and standards, provide information about the breaker's electrieal characteristics.

The defendants are vendors of circuit breakers who recondition, and then resell, used in Westinghouse breakers. Prior to this case, and as part of the reconditioning process, the defendants typically cleaned the breakers and sometimes replaced the internal components. In addition, when the breaker labels were faded or otherwise illegible, the defendants often replaced the labels. The defendants would obtain replacement labels from Westinghouse employees or would make copies of the original labels. The labels attached by the defendants never noted the breakers had been reconditioned; they bore the same information as the original label, including the Westinghouse trademark.

B. The Trial and the Jury Verdicts

In 1988, Westinghouse brought suit against the defendants for: (1) trademark counterfeiting under section 32 of the Lanham Act, 15 U.S.C. §1114 ("trademark counterfeiting") claim); (2) unfair competition under section 43 of the Lanham Act, 15 U.S.C. §1125 ("unfair competition" claim); and (8) unfair competition and trademark dilution under California law ("state law" claims). Westinghouse sought a permanent injunction forbidding the defendants from reproducing its trademarks and requiring them to disclose the condition of the breakers they sell. Westinghouse also sought damages for past infringement.

The defendants admitted the acts underlying Westinghouse's claims — that they had sold reconditioned breakers bearing the Westinghouse mark without noting they had been reconditioned. The defendants argued, however, that they never intended to deceive anyone; they only intended to comply with regulations requiring the breakers to bear labels

describing their electronic characteristics. The defendants also argued Westinghouse knew or should have known the defendants were selling reconditioned breakers bearing the Westinghouse mark, because Westinghouse itself knowingly purchased reconditioned breakers from the defendants and resold them without labelling them as reconditioned. Based on this evidence, the defendants raised several affirmative defenses, including estoppel, laches, acquiescence, and unclean hands.

Following trial, the jury received four verdict forms, one for each defendant. For each of Westinghouse's five claims, the form asked the jury to determine whether Westinghouse had proved the claim and then whether the defendant had proved any affirmative defenses to that claim. The form did not require the jury to make express findings of fact. Rather, it simply asked the jury to make separate legal conclusions regarding each of Westinghouse's claims and the affirmative defenses to those claims.

On July 16, 1993, the jury returned its verdict forms. The forms indicated that Westinghouse had established both its unfair competition claim and its trademark counterfeiting claim, as well as one of their state law claims. The forms also stated, however, that defendants had established affirmative defenses to all of Westinghouse's claims except the trademark counterfeiting claim.

C. The District Court Judgment

The district court was perplexed by the jury's seemingly contradictory verdicts on the defendants' affirmative defenses. The district court observed that "evidence [that the affirmative defenses applied to the unfair competition claim] also should have mandated the same result on the [trademark counterfeiting] claim, since [an unfair competition] claim completely subsumes a [trademark counterfeiting] claim." *In re Circuit Breaker Litig.*, 852 F.Supp. 883,

887 (C.D.Cal. 994). Upon further reflection, however, the court concluded that "[t]he jury's answers were absolutely consistent with both the instructions and the evidence presented." *Id.* The critical difference between the defenses to the trademark infringement claim and to the unfair competition claim, the district court held, lay in the jury instruction regarding the elements needed to prove each defense. *Id.* at 887-88.

Jury instruction number 65, which was proposed by Westinghouse and given by the court over the defendants' timely objection, required the defendants to show Westinghouse knew or should have known the defendants were duplicating Westinghouse labels, rather than merely using originals, in order to establish their affirmative defenses to trademark counterfeiting. By contrast, the instruction did not require the defendants to prove Westinghouse knew they were copying labels to establish their defenses to the unfair competition claim; they only needed to prove Westinghouse knew they were using the Westinghouse mark.[2] Thus, the additional element of duplication required by instruction 65 for the trademark counterfeiting claim logically explained the jury's disparate treatment of the two claims.

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[2] Instruction 65 stated:

> [T]o sustain their defenses as to plaintiff's unfair competition and trademark dilution claims, defendants must prove that plaintiff knew or should have known all the facts giving rise to these particular claims, namely that defendants were selling used and reconditioned Westinghouse molded case circuit breakers without adequate disclosure of their condition.
>
> * * * * * *
>
> In order to sustain their laches, estoppel and acquiescence defenses against plaintiff's trademark counterfeiting claim, defendants must prove that plaintiff knew or should have known all the facts giving rise to this particular claim, namely *that defendants were copying the Westinghouse trademark* and applying them to used and reconditioned molded case circuit breakers that were sold in commerce without adequate disclosure of their condition. (Emphasis added).

The problem with the verdicts, the district court concluded, was that the jury instruction misstated the elements needed to prove affirmative defenses to Westinghouse's trademark counterfeiting claim. To establish affirmative defenses to the trademark counterfeiting claim, the district court held, defendants needed only to prove that Westinghouse knew defendants were using the Westinghouse mark, whether or not the marks were copied. Thus, the district court concluded that jury instruction number 65 misstated the law and that the error caused the jury's verdict in favor of Westinghouse.

To remedy the prejudice caused by the erroneous instruction, the district court identified from the pattern of jury verdicts the facts necessarily found by the jury and then applied the correct law to those facts. Because the jury found for the defendants on the affirmative defenses to the unfair competition claim, the district court concluded the jury necessarily found that Westinghouse knew or should have known that the defendants were selling reconditioned breakers bearing the Westinghouse mark without labelling them as reconditioned. *See* Jury Instruction Number 65, note 1, *supra*. The district court held that this implicit factual finding was also sufficient as a matter of law to establish the defendants' affirmative defenses to the trademark counterfeiting claim. Accordingly, rather than ordering a new trial, the district court entered judgment in favor of the defendants on all claims. 852 F.Supp. at 897.

D. The Denial of Injunctive Relief

On August 22, 1995, following subsequent hearings, the district court also denied the plaintiff's motion for permanent injunctive relief. *In re Circuit Breaker Litig.*, 860 F.Supp. 1453 (C.D.Cal.1994). The district court held that a permanent injunction was not warranted, because the defendants had established affirmative defenses to the trade-

mark claims; because Westinghouse had not shown the defendants were likely to infringe in the future; and because the defendants had innocently infringed without substantially harming the public. *Id.* at 1456.

III. DISCUSSION

A. Instruction 65

As the district court indicated in its opinion, "instruction 65 [is] the fulcrum of this case." 852 F.Supp. at 892. We must first determine whether instruction 65 misstated the law by requiring the defendants to prove Westinghouse knew that the defendants were copying its trademark, as opposed to simply using the original mark without permission. Whether a jury instruction misstates the elements that must be proved at trial is a question of law, which we review de novo. *Caballero v. City of Concord,* 956 F. 2d 204, 206 (9th Cir.1992).

To establish their equitable defenses of estoppel, laches, and acquiescence, the defendants had to prove Westinghouse knew of facts giving it notice of its trademark counterfeiting cause of action, not just any cause of action. *Cf. Hobson v. Wilson,* 737 F.2d 1, 35 (D.C.Cir.1984) (holding that for constructive discovery of a cause of action to trigger the statute of limitations, the plaintiff must know facts giving notice of the particular cause of action at issue), *cert. denied,* 470 U.S. 1084, 105 S.Ct. 1843, 85 L.Ed.2d 142 (1985). Whether the defendants were required to prove Westinghouse knew they were duplicating labels thus turns on the question of whether trademark duplication is a necessary element — as opposed to a mere detail — of Westinghouse's trademark counterfeiting claim. In other words, if Westinghouse is required to prove the defendants were duplicating the Westinghouse mark in order to establish its trademark counterfeiting cause of action, then the

defendants are required to prove Westinghouse knew they were duplicating the mark to establish equitable defenses to that cause of action. Because the duplicate/original distinction is not relevant to a trademark counterfeiting claim, we affirm the district court's holding that the defendants were not required to prove that Westinghouse knew they were duplicating labels.

Section 1114 of the Lanham Act, which establishes the trademark counterfeiting cause of action, prohibits the use of "any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale of any goods [where] such use is likely to cause confusion . . . or to deceive." 15 U.S.C. § 1114(1)(a). Westinghouse argues that misuse of *original* marks (as opposed to copied marks) does not constitute trademark counterfeiting, because original labels are not a "reproduction, counterfeit, copy, or colorable imitation." As a result, Westinghouse contends instruction 65 was correct in requiring the defendants — in order to establish their affirmative defenses — to prove Westinghouse knew, or should have known, the defendants were photocopying the Westinghouse labels, not just that they were misusing original Westinghouse labels.

The original Westinghouse labels are not themselves "counterfeits" in the literal sense. But the aim of section 1114 is broader than the prohibition of "counterfeiting." The statute was intended "to protect consumers against deceptive designations of the origin of goods," not just to prevent the duplication of trademarks. *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912, 918 (9th Cir.1980), *cert. denied*, 452 U.S. 941, 101 S.Ct. 3086, 69 L.Ed.2d 956 (1981); *see also Beer Nuts, Inc. v. King Nut Co.*, 477 F.2d 326, 329 (6th Cir.) ("The essence of the wrong of trademark infringement is the passing off of the goods of one as those of another."), *cert. denied*, 414 U.S. 858, 94 S.Ct. 66, 38 L.Ed.2d 108 (1973). Thus, the impor-

tant test is whether the practice of the defendant is likely to cause confusion, not whether the defendant duplicated the plaintiff's mark. *Continental Motors Corp. v. Continental Aviation Corp.*, 375 F.2d 857, 861 (5th Cir.1967) ("Confusion, or the likelihood of confusion . . . is the real test of trademark infringement."); 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 2.03 (3d ed. 1996) ("Whatever route one travels, whether by trademark infringement or unfair competition, the signs give direction to the same enquiry — whether defendant's acts are likely to cause confusion.").

Of course, a copy of a mark is no more likely to confuse the public than is the original; in fact, the public is more likely to be deceived by an original mark because it serves as a perfect imitation. In short, the distinction between using a duplication versus using an original has no relevance to the purposes of trademark law. When an original mark is attached to a product in such a way as to deceive the public, the product itself becomes a "counterfeit" just as it would if an imitation of the mark were attached.

In *General Electric Company v. Speicher*, 877 F.2d 531 (7th Cir.1989), the Seventh Circuit held that the act of placing non-General Electric products in boxes that General Electric had stamped with its registered "GE" trademark qualified as the use of a "reproduction, counterfeit, copy, or colorable imitation" of the mark. As Judge Posner explained:

> We can see no difference, so far as the objectives of section 1114(1)(a) are concerned, between [unauthorized use of GE's original trademark] and making a reproduction of GE's trademark. The happenstance of having trademarks made by the owner in one's possession, so that one doesn't have to copy them, has no relevance to the purposes of the statute. Indeed, the

> danger of confusion is even greater because the "imitation" is not merely colorable, but perfect. The more fundamental point is that the purpose of trademark law is not to guarantee genuine trademarks but to guarantee that every item sold under a trademark is the genuine trademarked product, and not a substitute.

Id. at 534.

Other circuits have also held that the unauthorized use of an original trademark can qualify as trademark counterfeiting. *See Burger King Corp. v. Mason*, 710 F.2d 1480, 1491 (11th Cir.1983) (holding franchisee liable for displaying the original Burger King marks after its right to do so had been revoked), *cert. denied*, 465 U.S. 1102, 104 S.Ct. 1599, 80 L.Ed.2d 130 (1984); *El Greco Leather Prod. Co. v. Shoe World, Inc.*, 806 F.2d 392, 396 (2d Cir.1986) (holding shoe manufacturer liable for selling shoes bearing the genuine Candie's trademark after its contract with Candie's had been cancelled), *cert. denied*, 484 U.S. 817, 108 S.Ct, 71, 98 L.Ed.2d 34 (1987). Many district courts have found parties using original trademarks liable for trademark infringement as well. *See Interstate Battery Sys. of Am., Inc. v. Wright*, 811 F.Supp. 237, 244 (N.D.Tex.1993) (holding defendant liable for trademark counterfeiting where defendant affixed original stickers or labels acquired from the manufacturer to batteries not manufactured by authorized manufacturers); *Adolph Coors Co. v. A. Genderson & Sons, Inc.*, 486 F.Supp. 131, 135 (D.Colo.1980) (holding defendant liable under section 1114 for transporting and selling Coors beer in the original trademarked packages without maintaining the quality control standards of Coors).

The logic of these holdings is consistent with the "keystone" of trademark law: the likelihood of confusion in the minds of the buying public. *See* McCarthy, *supra*, § 2.03. Accordingly, we adopt the reasoning of these opinions and hold that instruction 65 misstated the elements required to

prove affirmative defenses to a trademark counterfeiting claim. Because duplication of the trademark is not an element of the trademark counterfeiting claim, the defendants were not required to prove that Westinghouse knew, or should have known, the defendants were duplicating labels in order to establish their equitable defenses.

We emphasize that our holding does not give license to defendants to duplicate trademarks. The defendants escaped liability in this case only because they proved Westinghouse knew or should have known they were using the Westinghouse trademark. In other words, Westinghouse did establish its claim for trademark infringement based on the defendants' conduct in selling reconditioned breakers bearing the Westinghouse trademark, but that claim was overcome by the defendants' affirmative defenses.

B. The District Court's Remedy for the Erroneous Instruction

To remedy the harm caused by the flawed instruction, the district court studied the factual findings implicit in the pattern of jury verdicts. The district court then used the factual findings necessarily determined by the jury in reaching its other verdicts as the basis for reversing the sole verdict in favor of Westinghouse. Whether it is permissible for a trial judge to disrupt the jury verdict on this basis is a question of law, which we review de novo.

The answer to this question derives from the most basic of principles regarding the respective roles of judge and jury: juries find the facts and judges determine the law. We must determine whether the trial judge overstepped the boundary dividing these roles when he changed the jury verdicts to accord with the jury's implicit factual findings. In the limited circumstances of this case, we hold that the judge did not.

In interpreting jury verdicts, we must assume that the jury followed the trial court's instructions. *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*, 472 U.S. 585, 604, 105 S.Ct. 2847, 2858, 86 L.Ed.2d 467 (1985); *see also Parker v. Randolph*, 442 U.S. 62, 75 n. 7, 99 S.Ct. 2132, 2141 n. 7, 60 L.Ed.2d 713 (1979) ("The 'rule' — indeed, the premise upon which the system of jury trials functions under the American judicial system — is that juries can be trusted to follow the trial court's instructions."). Therefore, we must assume the jury found certain facts when it found the defendants had established affirmative defenses to Westinghouse's unfair competition claim. Specifically, in accord with the correct portion of instruction 65, the jury must have found that Westinghouse knew or should have known "the defendants were selling used and reconditioned Westinghouse molded case circuit breakers without adequate disclosure of their condition." *See* Jury Instruction Number 65, note 1, *supra*. This finding of fact was necessarily determined by the jury and essential to their judgment on the unfair competition claim. Because this finding also supports the legal conclusion that the defendants established their affirmative defenses to the trademark counterfeiting claim, it was logically appropriate for the trial judge to enter judgment on the trademark counterfeiting claim in favor of defendants.

The district court's actions are directly analogous to the ordinary application of issue preclusion. Under the doctrine of issue preclusion, a court can enter judgment as to issues that were actually litigated and determined in a prior adjudication, so long as the determination was a necessary part of the judgment in the earlier action. *Clark v. Bear Stearns & Co.*, 966 F.2d 1318, 1320 (9th Cir.1992). Furthermore, the judge is allowed to draw necessary inferences from the prior adjudication in order to determine whether an issue was actually decided.

> [W]here the court has made no express findings on issues raised by the pleadings or the evidence, the court in the second case may infer that in the prior action a determination appropriate to the judgment rendered was made as to each issue that was so raised and the determination of which was necessary to support the judgment.

1B James WM. Moore *et al.*, Moore's Federal Practice ¶ .443(4), at III.-581 (2d ed. 1984); *see also Chew v. Gates*, 27 F.3d 1432, 1438 (9th Cir.1994) ("*Necessary* inferences from the judgment, pleadings, and evidence will be given preclusive effect . . . Where the prior judgment was based on a general verdict, the inquiry is whether rational jurors must necessarily have determined the issue as to which estoppel is sought.") (citations omitted), *cert. denied*, — U.S. — , 115 S.Ct. 1097, 130 L.Ed.2d 1065 (1995). Similar to traditional issue preclusion analysis, the district court in this case merely drew inferences from the verdicts to determine the issues that the presumptively rational jurors must have determined, and then used those implicit findings of fact as the basis for judgment as to certain issues.[3]

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[3] This analysis of issue preclusion also shows why ordering a new trial would produce an anomalous result. If the district court had ordered a new trial only on the trademark counterfeiting claim, the jury's earlier findings on the unfair competition claim would preclude Westinghouse from challenging the validity of the defendants' affirmative defenses. Thus, the results upon retrial would be identical to the status quo. *See Green v. American Tobacco Co.*, 325 F.2d 673, 678 (5th Cir.1963) (holding that, on retrial, the court must treat the issues validly decided by the jury's special interrogatories as conclusively established), *cert. denied*, 377 U.S. 943 (1964). On the other hand, if the district court had ordered a new trial on all of the plaintiff's claims, then the parties would have been forced to relitigate claims on which they already have valid, and undisputed, jury verdicts. *See Herber v. Johns-Manville Corp.*, 785 F.2d 79, 85-86 (3d Cir.1986) (directing re-trial only on the claims and issues affected by the trial error).

The district court's reasoning in determining whether the jury necessarily found facts establishing the defendants' affirmative defenses is also analogous to the reasoning applied in criminal cases to determine whether an instructional error was harmless. In *Carella v. California*, 491 U.S. 268, 271, 109 S.Ct. 2419, 2423-24, 105 L.Ed.2d 218 (1989) (Scalia J., concurring), for example, Justice Scalia explained that a flawed jury instruction is harmless if, despite the error, the court can determine that the jury necessarily found the elements of the crime. *See also California v. Roy*, U.S. , 177 S. Ct. 337, 339-40, 136 L.Ed.2d 266 (1996) (Scalia, J., concurring) (noting that an instructional error is harmless where the jury verdict on other points effectively embraces the elements affected by the error). As in *Carella* and *Roy*, the district court in this case examined the jury's verdicts to determine whether, despite the instructional error, the jury necessarily found all the proper elements of the defendant's affirmative defenses. Because the jury must have found the elements necessary to establish the defendants' equitable defenses, the district court appropriately entered judgment in favor of the defendants.

Westinghouse observes that the law forbids a judge from upsetting general verdicts merely because they are inconsistent as to different claims. *See Dunn v. United States*, 284 U.S. 390, 393-94, 52 S.Ct. 189, 190-91, 76 L.Ed. 356 (1932) ("Consistency in the verdict is not necessary .... That the verdict may have been the result of compromise, or of a mistake on the part of the jury, is possible. But verdicts cannot be upset by speculation or inquiry into such matters."). Because inconsistent verdicts are allowed to stand, Westinghouse argues, it is impossible to draw logical inferences from the jury verdicts. *See United States v. Heimann* 705 F.2d 662, 670 (2d Cir.1983) ("[S]ince jurors' verdicts need not be consistent it would be inappropriate to draw an inference from the pattern of verdicts as to the jury's findings ....") (citations omitted). In other words, West-

inghouse contends that, because the jury verdict could have resulted from simple mistake, a desire to "split the baby," or some other inexplicable factor, it is impossible to infer from the pattern of verdicts that the jury made certain findings of fact.

Westinghouse's argument necessarily implies that the jury disregarded its instructions. Thus, the argument directly offends well-established precedents requiring the court to presume that juries follow the law. *See Aspen Skiing Co.*, 472 U.S. at 604, 105 S.Ct. at 2858. The cases Westinghouse cites for the proposition that inconsistent verdicts must be allowed to stand all involve situations where "it is unclear whose ox has been gored;" in other words, it is impossible to tell which verdict is the correct one. *See, e.g., United States v. Powell*, 469 U.S. 57, 65, 105 S.Ct. 471, 477, 83 L.Ed.2d 461 (1984). That is not the case here. In this case, there is an identifiable error that only could have affected one of the verdicts. If we presume the jury followed their instructions, as we must, it is possible to determine the facts necessarily found by the jury and thereby to remedy the error. Thus, a court in these very limited circumstances can reconcile the verdicts without intruding upon the jury's fact-finding role.

In sum, the facts of this case present a seemingly rare situation. Despite an erroneous jury instruction, it is possible to examine the pattern of jury verdicts and logically determine what facts a rational juror must have found in order to reach those verdicts. As a result, it was possible for the trial judge to apply the correct law to these implicit factual findings and thereby to remedy the harm from the erroneous jury instruction without the expense and delay of a new trial. In circumstances such as these — where the necessary factual findings can be determined from the pattern of verdicts — justice has nothing to gain from a new trial.

C. Denial of Injunctive Relief

The Lanham Act gives courts the "power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation" of a registrant's rights. 15 U.S.C § 1116(a). A plaintiff is not automatically entitled to an injunction simply because it proved its affirmative claims. *Pyrodyne Corp. v. Pyrotronics Corp.*, 847 F.2d 1398, 1402 (9th Cir.) ("[T]he grant of injunctive relief is not a ministerial act flowing as a matter of course.") (citing *U.S. Jaycees v. Cedar Rapids Jaycees*, 794 F.2d 379 382 (8th Cir. 1986)), *cert. denied*, 488 U.S. 968, 109 S.Ct. 497, 102 L.Ed.2d 533 (1988).

In this case, the district court refused to enter a permanent injunction directing the defendants to follow a specific labelling program on three grounds: 1) because the defendants had proven equitable defenses to the Lanham Act claims; 2) because the defendants' infringement caused little harm in light of the effective performance of the reconditioned breakers; and 3) because the defendants are not likely to harm the public in the future given that they discontinued their relabelling practices before this litigation began more than seven years ago. *In re Circuit Breaker Litig.*, 860 F.Supp. at 1456. Westinghouse argues the district court's grounds for denying the injunction were not supported by the evidence and were insufficient to justify denying the injunction.

We review a trial court's decision to deny injunctive relief for an abuse of discretion. *Multnomah, Legal Serv. Workers Union v. Legal Serv. Corp.*, 936 F.2d 1547, 1552 (9th Cir. 1991). A district court abuses its discretion if its conclusion is based on clearly erroneous factual findings or if its decision relies on erroneous legal conclusions. *Id.* Here, the defendants' equitable defenses are in themselves sufficient to justify the district court's refusal to enter a permanent injunction. *See Pyrodyne*, 847 F.2d at 1401-03; *E-Systems,*

Inc., v. Monitek, Inc., 720 F.2d 604, 607 (9th Cir.1983) ("Laches can bar recovery in trademark or tradename actions where injunctive relief is sought.") The court's findings that the defendants were innocent infringers and that they were not likely to harm the public in the future offer additional justification for the denial, and these findings are supported by the record. *See, e.g., Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350, 352 (9th Cir.1969) (denying injunction because defendant had discontinued conduct prior to trial and showed no intention of resuming). Accordingly, we hold that the district court did not abuse its discretion in denying the injunction.

IV. CONCLUSION

Instruction 65 misstated the law insofar as it required the defendants to prove Westinghouse knew they were duplicating the Westinghouse trademark in order to establish affirmative defenses to Westinghouse's trademark counterfeiting claim. Realizing the jury received erroneous instructions, the trial judge examined the pattern of jury verdicts and concluded the error was not harmless; in fact, the error determined Westinghouse's verdict on the trademark counterfeiting claim.

Ordinarily, when faced with an outcome - determinative error in instructing the jury, a trial judge should order a new trial. Moreover, in most cases where a jury renders inconsistent verdicts, the trial judge must allow those verdicts to stand because "it is unclear whose ox has been gored." *Powell*, 469 U.S. at 65, 105 S.Ct. at 477. But in the limited circumstances of this case, where an identifiable error affected only one of the jury verdicts, and the factual findings necessarily determined by the jury can be discerned from the other verdicts, there is nothing to be gained from a new trial. In these circumstances, a trial court may apply the correct law to the jury's implicit factual findings and enter

judgment accordingly without intruding upon the province of the jury. Accordingly, we affirm the district court's judgment in favor of the defendants. Also, because the defendants established affirmative defenses to Westinghouse's trademark claims, we affirm the district court's order denying a permanent injunction.

AFFIRMED.

ORDER

March 27, 1997

Square D Company's motion to amend the caption in this case is granted. The above caption has been modified as requested.

The panel as constituted in the above case has voted to deny the appellant's petition for rehearing and to reject the suggestion for rehearing en banc.

The full court has been advised of the suggestion for rehearing en banc, and no judge of the court has requested a vote on the suggestion for rehearing en banc. Fed. R.App.P. 35(b).

The petition for rehearing is denied and the suggestion for rehearing en banc is rejected.

APPENDIX B

APPENDIX B

IN RE: CIRCUIT BREAKER LITIGATION

MASTER CASE FILE NO. CV 88-03012 RG (Cx), THIS DOCUMENT RELATES TO CASE NOS. 88-6739, 88-6741, 88-6744

UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA

852 F. Supp. 883

May 16, 1994, Decided

May 17, 1994, Filed; May 18, 1994, Entered, Docketed

OPINION BY: RICHARD A. GADBOIS, JR.

OPINION: ORDER FOR JUDGMENT.

I.

Six years ago, four circuit breaker manufacturers, Square D Company, General Electric Company, Underwriters Laboratories Inc., and plaintiff Westinghouse Electric Corporation ("Westinghouse"), filed thirty cases with this Court, suing several circuit breaker reconditioners for trademark infringement, unfair competition, and state law causes of action.

Westinghouse's case against defendants Pencon International, Inc., General Magnetics/Electric Wholesale and Charley Contreras ("Pencon Defendants"), Panelboard Specialties Wholesale Electric, Inc. and Jaime A. Contreras ("Panelboard Defendants"), AC Circuit Breaker-Electrical Supply and Joe A. Contreras)"AC Circuit defendants"), and General Circuit Breaker & Electric Supply, Inc., Xavier Contreras, and Jaime A. Contreras ("GCB defendants") has been tried to a jury, and is now near a conclusion.

Many other pieces of the puzzle have yet to be tried, including defendants previously severed antitrust counter-

claims against Westinghouse, and ten separate cases involving plaintiffs Square D Company.[1] General Electric Company,[2] and Underwriters Laboratories Inc.[3] Under the Local Rules of the Central District of California, these cases will almost certainly be tried by another judge.

A. Background

Westinghouse is a major manufacturer and seller of molded case circuit breakers. Each breaker has a label bearing the Westinghouse trademark and listing information about the breaker's electrical characteristics. Some of these labels are permanent metal plates or ink-stamps; the rest are paper.

Defendants recondition and resell used Westinghouse circuit breakers. Occasionally, reconditioning requires minimal effort. At other times, defendants must replace certain components with new Westinghouse parts. Before 1988, defendants routinely replaced the breakers' seals,[4] and also

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[1]Square D Company v. General Circuit Breaker and Electric Supply, Inc., et al., CV 88-03012; Square D Company v. Panelboard Specialties Wholesale Electric, Inc. and Jaime Contreras, CV 88-06747.

[2]General Electric Company v. General Circuit Breaker and Electric Supply, Inc. and Xavier Contreras, Case No. 88-06027; General Electric Company v. Pencon International, Inc., et al., CV 88-6736; General Electric Company v. AC Circuit Breaker et al., CV 88-6732; General Electric Company v. Panelboard Specialties Wholesale Electric, Inc. et al., CV 88-6738.

[3]Underwriters Laboratories Inc. v. Pencon International, Inc., et al. CV 88-04750; Underwriters laboratories Inc. v. General Circuit Breaker and Electric Supply, et al. CV 88-06727; Underwriters Laboratories Inc. v. AC Circuit Breaker-Electric Supply, et al. CV 88-06723; Underwriters Laboratories Inc. v. Panelboard Specialties Wholesale Electric, Inc., et al. CV 88-06721.

[4]The seals indicate whether the breaker has been opened.

replaced faded or otherwise illegible paper labels.[5] Westinghouse employees gave defendants some replacement labels;[6] defendants printed the remainder themselves, or gave the job to a professional printer.

Defendants did not add a notation to any of their breakers indicating that the breakers were reconditioned. Rather, the labels on the reconditioned breakers contained the same information as the original Westinghouse labels, including the Westinghouse trademark.

In 1988, Westinghouse filed suit against defendants, asserting claims for (1) trademark counterfeiting under section 1114 of the Lanham Act; (2) unfair competition under section 1125 of the Lanham Act; (3) unfair competition under the California Business and Professions Code; (4) unfair competition under the California common law; and (5) trademark dilution under California law.

Defendants did not deny selling reconditioned breakers with the Westinghouse mark and failing to label them as reconditioned. However, defendants maintained that they had not intended to deceive anyone and that Westinghouse knew, or certainly should have known, that defendants were selling reconditioned breakers bearing the Westinghouse mark. In fact, Westinghouse itself was one of the defendants' major clients, and resold defendants' reconditioned circuit breakers without labeling them "reconditioned." Defendants asserted numerous affirmative defenses, including equitable estoppel, laches, acquiescence, and unclean hands. Defendants also contended that Westinghouse improperly sought to drive them out of business, and filed antitrust counterclaims.

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[5]When the original paper labels were in good shape or were permanent, defendants left them on the breakers.

[6]Westinghouse maintains that these employees were renegades.

B. The Trial

After Westinghouse narrowly survived a motion for summary judgment based on the affirmative defenses, a jury heard the liability phase of the case. Since defendants did not deny reconditioning and reselling breakers bearing the Westinghouse mark without designating them as reconditioned, two issues dominated the trial: 1) whether the reconditioned breakers were likely to be confused with new breakers; and 2) the affirmative defenses.

Westinghouse appeared to prevail on the first issue, demonstrating that the defendants' reconditioned breakers might be confused with new breakers. However, the evidence solidly supported defendants' affirmative defenses. They demonstrated that Westinghouse was, or should have been, abundantly aware that defendants sold reconditioned Westinghouse breakers bearing the Westinghouse mark without labelling them as reconditioned — as defendants repeatedly emphasized, Westinghouse itself was one of defendants' major customers. Westinghouse noted, however, that there was virtually no evidence that Westinghouse knew that defendants were in fact copying Westinghouse labels, rather than using original labels. At trial, Westinghouse suggested that copying labels was not only evidence of bad intent, but also a wrong in and of itself.

Although defendants admitted making duplicate Westinghouse labels, they steadfastly denied any wrongful intent. They argued that they did not bother labelling their breakers as "reconditioned" because defendants were well-known in the market — "we're a junk shop. People know who we are." Defendants also said that they believed that any purchaser of a reconditioned breaker would recognize it as such. As one defendant, Charley Contreras described it: "It's like if you're an old man, you can put on all the make-up you want, but you're not fooling anybody but yourself." Furthermore, defendants noted that if they were trying to

deceive the public, they were doing an absurdly inept job — they not only often told customers when asked that the breakers were reconditioned, but also widely advertised themselves as breaker reconditioners.

According to defendants, replacing worn labels was not an effort to deceive, but a necessary part of reconditioning. After all, as even Westinghouse concedes, its labels do more than identify Westinghouse as the manufacturer — they provide critical information regarding the breaker's electrical characteristics. Various electrical codes and standards require breakers to bear such information, and copying Westinghouse's labels was simply the easiest way to do it.

Lastly, in support of its unclean hands defense, defendants demonstrated that after purchasing reconditioned breakers from defendants, Westinghouse itself re-sold them directly without relabelling them as reconditioned.

C. The Jury's Verdict Forms

On July 15, 1993, the jury returned its first verdict form, indicating that plaintiff had failed to prove any of its state law claims or its Lanham Act unfair competition claim, *15 U.S.C. § 1125*. However, the verdict form indicated that plaintiff had proven its Lanham Act "trademark counterfeiting" claim, *15 U.S.C. § 1114*, and that defendants "intentionally used counterfeits of [some] of plaintiff's trademarks, knowing them to be counterfeits."[7] With regard to the affirmative defenses, the verdict form indicated that affirmative defenses applied to all of plaintiff's claims except the § 1114 claim.

This result appeared fatally inconsistent, as a claim under § 1114 should have established claims under § 1125 and also under the California Business & Professions Code.

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[7]Response to Jury Verdict Form Question 6.

Unwilling to risk improperly coercing a verdict, this Court did not inform the jury that its verdict was inconsistent. Instead, this court asked them to return the following day, so that this court and the parties could digest the verdict overnight and determine whether the jury needed to answer any further questions. The next day, after the jury had assembled in the jury room but before it had entered the courtroom, the jury sent a note to the bailiff indicating that it had made an error in transposing its results onto the verdict form, and asked if it could make corrections and submit a revised verdict form.

This Court obliged, and the jury submitted a revised verdict form, which indicated that plaintiff had proved both its § 1114 claim and its § 1125 claim, as well as its claim for unfair competition under the California Business and Professions Code. The verdict form continued to indicate that the jury found that affirmative defenses applied to all of plaintiff's claims except for the § 1114 claim.

Although the § 1114, § 1125, and California Business & Professions Code claims were now consistent, this Court was perplexed by the jury's conclusions on the affirmative defenses. Defendants had produced extensive and highly persuasive evidence that Westinghouse knew, or should have known, that defendants were using the Westinghouse mark on reconditioned breakers without designating them as reconditioned. This evidence clearly justified the jury's finding that affirmative defenses applied to Westinghouse's § 1125 claim. Ordinarily, this evidence also should have mandated the same result on the § 1114 claim, since a § 1125 claim completely subsumes a § 1114 claim. See, *e.g., Inwood Laboratories, Inc. v. Ives Laboratories, Inc. 456 U.S. 844, 859, 72 L. Ed. 2d 606, 102 S. Ct. 2182 (1982); James Burrough Ltd. v. Sign of Beefeater, Inc., 540 F.2d 266, 274 n.16 (7th Cir. 1976); American Exp. v. American Exp. Limousine Serv., 772 F. Supp. 729, 732 (E.D.N.Y. 1991);*

The Coca-Cola Company, Inc. v. Cahill, 350 F. Supp. 1231, 1233 (W.D. Okla. 1972), aff'd, *480 F.2d 153 (10th Cir. 1973)*. See also J. Thomas McCarthy. McCarthy on Trademarks. §§2.02, 2.03 (1992) (hereinafter "McCarthy").

Since the parties had agreed to try damages to the Court, and further intervention would seriously suggest coercion of a different verdict, this Court excused the jury and took evidence on damages. This Court also asked the parties to address the issue of verdict inconsistency and heard oral argument on the matter.

II.

Now that the inconsistency issue has been thoroughly brief and argued, the case comes into clear focus. The jury's answers were absolutely consistent with both the instructions and the evidence presented.

A. What Did Westinghouse Know?

For the most part, defendants and Westinghouse agree that the jury necessarily made certain findings of fact. They agree that, in finding liability on both the § 1114 and § 1125 claims, the jury necessarily found: 1) that defendants reconditioned breakers bearing the Westinghouse mark; 2) that they did not designate them as "reconditioned"; 3) that they did so without Westinghouse's consent; and 4) that this practice was likely to cause confusion.

Defendants and Westinghouse also agree that since the jury found for defendants on the affirmative defenses to § 1125, it necessarily found that Westinghouse knew or should have known that defendants were selling reconditioned breakers bearing the Westinghouse mark without

labelling the as reconditioned.[8] Finally, both defendants and Westinghouse agree that the jury's findings on the § 1114 affirmative defenses indicate that Westinghouse did not know, nor should it have, that defendants happened to be duplicating Westinghouse labels rather than using original Westinghouse labels on the reconditioned breakers.[9] This interpretation is perfectly consistent with the instructions.

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[8]Brief of Plaintiff Westinghouse Electric Corporation in Response to the Court's Request for Final Briefs Regarding the Damages Phase of Trial, September 29, 1993 at 22 ("There was testimony at trial that indicated that, while many [Westinghouse] salespeople believed they were buying only new products from the defendants, other [sic] were aware that the circuit breakers sold by the defendants were used and/or reconditioned. This testimony explains the jury's finding that the defendants established the defense of laches to Westinghouse's claim of unfair competition under *15 U.S.C. § 1125.*") ("Westinghouse Damage brief").

[9]See Trial Brief Regarding Recovery Under *15 U.S.C. 1117.* September 29, 1993 at 7 ("Clearly, the verdict reflects that the jury wanted to acknowledge that the equitable defenses were not available to excuse defendants' replication of Westinghouse's trademark; however, given Westinghouse's participation in an acquiescence to the reconditioning and non-labelling activities, the jurors did not want to penalize defendants or reward Westinghouse as a result.") (filed by the AC Circuit defendants).

See also Brief of Plaintiff Westinghouse Electric Corporation in Response to Defendants' Briefs Regarding the Damages Phase of Trial, October 4, 1993 at 18-19 ("Westinghouse Response"):

In order to be on notice of its § 1125 claim, Westinghouse needed to have actual or constructive knowledge only that the defendants failed adequately to disclose the condition of the breakers that they sold. In order to have notice of its narrower § 1114 claim, however, Westinghouse needed to have actual or constructive knowledge that the defendants were counterfeiting Westinghouse's trademarks and placing such counterfeit marks on used and reconditioned circuit breakers they sold to the public.

The jury obviously wished to indicate in its verdict that Westinghouse knew or should have known of the former conduct, but not the latter. . . . The jury's verdict on Westinghouse's section 1114 claim purposely

As both Westinghouse and defendants note, Instruction 65 required defendants to show that Westinghouse knew, or should have known, that defendants were duplicating Westinghouse labels rather than merely using original Westinghouse labels, in order to prove their affirmative defenses to § 1114. Such a showing was not required, however, to establish affirmative defenses to § 1125.[10] Since the instructions indicated that the original/copied label distinction was the only difference between the affirmative defenses, this interpretation is the only one that makes the jury's responses consistent.

Moreover, this Court has no reason to suspect that the jury lost sight of this distinction or misunderstood, forgot, or somehow refused to follow this instruction. Each juror had a copy of the instructions in the jury room, and both sides emphasized the instruction at closing argument. After tell-

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singled out defendants' counterfeiting activities as behavior of which the jury found Westinghouse not to be on notice. . . .
(Emphasis added).

[10]Instruction 65 explained to the jury that:

You must also assess plaintiff's knowledge of the facts underlying each of its claims separately. The law recognizes that a plaintiff with knowledge of one claim but deprived of information critical to another claim may still assert the claim about which it could not have known. Thus, even if you were to find that plaintiff knew the fact giving rise to its claims for trademark dilution or unfair competition, this does not mean that plaintiff also knew the facts giving rise to its claim for trademark counterfeiting under section 1114.

In order to sustain their laches, estoppel, and acquiescence defenses against plaintiff's trademark counterfeiting claim, defendants must prove that plaintiff knew or should have known all the facts giving rise to this particular claim, namely that defendants were copying the Westinghouse trademarks and applying them to used and reconditioned molded case circuit breakers that were sold in commerce without adequate disclosure of their condition.
(emphasis added).
[**14]

ing the jury that the distinction between copied and original labels differentiated § 1114 and § 1125,[11] Westinghouse repeatedly highlighted Instruction 65, explaining that defendants had to prove knowledge of copying to establish affirmative defenses to § 1114.[12] Then, noting that defendants had failed to present any persuasive evidence that Westinghouse knew, or should have known, that defendants were copying labels, rather than using original labels, Westinghouse told the jury that it could not find affirmative

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[11]According to Westinghouse's trial counsel:

. . . Section 1125 is essentially the same elements as [the elements of § 1114], except, as the Court instructed you, for a violation of 1125, you don't have to use a copy of the trademark. You can use the original trademark or the original label in some other fashion . . .

Closing Remarks of Gregory Stone, Counsel for Westinghouse, Transcript at 5224:13-18.

[12]Westinghouse counsel clearly emphasized to the jury that label copying, not merely the use of the Westinghouse mark, was a key issue in the case:

At the conclusion of my remarks today, I am going to ask you to find certain things. I am going to ask you to find that the defendants infringed the Westinghouse trademarks, that they counterfeited those marks, that they made labels, including the Westinghouse trademark, without any authorization to do so . . .

. . . there were three critical issues in the case: [including] the Westinghouse trademarks, and whether they were copied by defendants.

Closing Remarks of Gregory Stone, Counsel for Westinghouse. Transcript at 5219:13-5220:2.

Then, discussing the affirmative defenses, Westinghouse counsel told the jury that defendants had to show that Westinghouse knew, or should have known, that defendants were copying labels:

And what are these true facts? Did Westinghouse have knowledge of them? The true facts are the defendants copied its trademarks, and they misrepresented the goods they sold.

Id. at 5228:7-10.

defenses to the § 1114 claim.[13] With considerably less enthusiasm, defendants also emphasized the impact of Instruction 65, noting that they had to prove that Westinghouse knew, or should have known, that defendants were making replacement labels.[14]

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[13] As Westinghouse's counsel noted, little or no evidence suggested that Westinghouse knew, or should have known, that defendants were using duplicate labels instead of original ones:

. . . Did Westinghouse know the true facts [that defendants were copying labels, rather than merely using originals]? The testimony in that regard does not take very long to summarize.

Paul Cavnar, who worked at the [Westinghouse] branch in San Diego for a year and a half, testified that on one occasion he received a breaker, and he was a little confused about whether it was from GCB or GMEW, but he ultimately concluded that it was from GMEW. He received one breaker that had a label taped on the front with a piece of shiny plastic tape, and that label looked to him to be shinier than the original label or somewhat different than the original label.

And that is the only evidence we have of a Westinghouse employee seeing a copied label put on a breaker by one of the defendants. Indeed, we don't know from Mr. Cavnar's testimony or from anyone at GMEW whether that label was an original taped back on or whether it was a copy.

. . .

. . . That is the only knowledge that anyone at Westinghouse had that any of the defendants were copying labels.

Closing Remarks of Gregory Stone, Counsel for Westinghouse, Transcript at 5229:16-5231:2.

After discussing Mr. Cavnar, Westinghouse's counsel spoke at length about the defendants' failure to prove that Westinghouse knew that defendants were using duplicated labels, rather than originals. After over twenty pages of oral argument, Westinghouse counsel finally concluded that "no one [at Westinghouse] knew about the copying of labels." Id. at 5248:21.

[14] Mr. Emling, counsel for the Pencom defendants, grimly told the jury about Instruction 65:

Well, you know, what did they have to know exactly [in order for you to find that the affirmative defenses apply to § 1114]? Now, apparently the way the instructions are coming out is, at least on the counterfeiting

Thus, it is virtually undisputed that the jury found that although Westinghouse knew, or should have known, that defendants were using the Westinghouse mark on reconditioned breakers, they did not know that defendants were copying Westinghouse labels.

B. Defendant's Intent.

The jury's findings regarding Westinghouse's notice are undisputed and clear. The jury's conclusions about defendant's intent, although the subject of some dispute, are clear as well. Defendants contend that the jury found that defendants intended to duplicate Westinghouse labels.[15] but did not intend to deceive anyone into believing that the reconditioned breakers were new. The jury was clearly instructed that, if it found any defendant intended to deceive, none of the affirmative defenses applied.[16] Since the jury found that

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part, we are going to have to prove that they either knew or should have known of the replacement labels. Okay. We have to live with that. Closing Argument of Michael Emling, Counsel for the Pencom Defendants. Transcript at 5318:24-5319:4. See also Id. [sic] at 5308:4-5 ("There is one count, the 1114 count, that requires replacement labels on it."); 5324:13-15 ("Now, you know, on one count at least we have to prove that they knew or should have known about relabeling in some sense.").

[15]Obviously, defendants intended to reproduce labels when they employed a photocopy machine or professional printer.

[16]Instruction 66 ("If you find that any defendant, in selling used and reconditioned Westinghouse molded case circuit breakers, intended to cause confusion, or mistake, or deception, that defendant lacks the good faith necessary to establish its defense of laches, estoppel or acquiescence, and you may find for plaintiff on each of these defenses as to any such defendants."); Instruction 52 ("If you find that any defendant, in selling used and reconditioned Westinghouse circuit breakers and in copying Westinghouse's trademark, intended to cause confusion, deception, or mistake among its immediate consumers or others such as downstream purchasers, then that defendant may not assert the defense of laches.").

defendants had established their affirmative defenses to all of Westinghouse's claims except for the § 1114 claim (which is explained by Instruction 65), the jury obviously found that defendants had not intended to cause confusion.

Westinghouse disagrees, proposing instead that the jury found that the defendants intended to cause confusion when they replaced Westinghouse labels, but did not intend to cause confusion when they used original Westinghouse labels.[17] Neither logic nor the record supports such an interpretation. Moreover, Westinghouse's argument necessarily implies that the jury either disregarded its instruction or rendered an internally inconsistent verdict.

First, no evidence suggests that defendants intended to deceive when they photocopied labels, but did not intend to deceive when they sold reconditioned breakers bearing original Westinghouse labels. The record indicates that defendants' state of mind was constant throughout. Defendants presented evidence indicating that they told customers when asked that the breakers were reconditioners, advertised themselves as breaker reconditioners, and assumed that everyone knew the breakers were reconditioned. No evidence indicated that defendants behaved one way when they sold breakers with duplicate labels and another way when they sold breakers with original labels. No testimony indicated that the breakers with new labels were in fact more confusing than those with original paper or permanent labels. In fact, substantial testimony indicated that, while some of defendants' "counterfeit labels" were virtually identical to those printed by Westinghouse, others were poorly made or were the wrong color or size. Thus, the most potentially confusing breakers were those which still bore their original labels, not those with copied labels. Westinghouse's suggestion that defendants did not intend to deceive

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[17]See Westinghouse Response at 24-25.

when they were most likely to do so, yet did intend to deceive when they were least likely to do so simply makes no sense, and is not remotely supported by the evidence.

Second, Westinghouse's interpretation necessarily implies that the jury answered the verdict form inconsistently. For example, the jury was clearly instructed that Westinghouse's claim for unfair competition under the California Business & Profession Code covers "any unlawful, unfair, or fraudulent business act or practice," which quite obviously covers copying and applying replacement labels with an intent to deceive. See Instruction 42. If the jury had found such an intent, it would have found that Westinghouse proved their claim under the California Business & Professions Code, but could not have found for defendants on the affirmative defenses because good faith is a prerequisite to the affirmative defenses under Instruction 66.[18]

Similarly, if the jury had found, as Westinghouse suggests, that defendants duplicated Westinghouse's mark with an intent to deceive, the jury necessarily would have found liability on the common law unfair competition claim as well. This claim requires "a species of fraud or deceit." See Instruction 43. Obviously, if the jury had found that defendants copied labels with the intent to deceive, it would have found that Westinghouse proved this claim.

By arguing that the jury found that defendants intended to deceive when they duplicated Westinghouse labels, yet did not intend to deceive when they used original Westinghouse labels, Westinghouse asks this Court to conclude that the

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[18]Although the jury did not, in fact, find any intent to deceive, it nevertheless found that Westinghouse proved its California Business & Professions Code claim because it found for Westinghouse on its Lanham Act claims. See Instruction 42 ("If you find in favor of Westinghouse on either of its federal claims under the Lanham Act, you should also find in favor of Westinghouse on its state law claim for unfair competition under the Business and Professions Code.").

jury responded illogically, without regard to the evidence, and inconsistently.[19] As even Westinghouse acknowledges, this Court must adopt an interpretation of the jury's findings that makes them consistent: "where there is a view of the case that makes the jury's answers . . . consistent they must be resolved that way. [A] search for one possible view of the case which will make the jury's finding inconsistent results in a collision with the Seventh Amendment." *Atlantic & Gulf Stevedores, Inc. v. Ellerman Lines, Ltd., 369 U.S. 355, 364, 7 L. Ed. 2d 798, 82 S. Ct. 780 (1962)*. See also *Toner v. Lederle Laboratories, 828 F.2d 510, 512 (9th Cir. 1987)*, cert. denied, *485 U.S. 942, 99 L. Ed. 2d 282, 108 S. Ct. 1122 (1988)* ("the court must search for a reasonable way to read the verdicts as expressing a coherent view of the case"). Therefore, this Court accepts the following facts as determined by the jury:

1) Defendants used Westinghouse's marks on reconditioned breakers;

2) without Westinghouse's consent;

3) such use was likely to cause confusion;

4) Defendants did not intend to deceive the public with its use of the Westinghouse mark.

5) Westinghouse knew, or should have known, that defendants were selling reconditioned breakers bearing Westinghouse's marks.

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[19]The jury's finding that "the . . . defendants intentionally use counterfeits of any of plaintiff's trade marks, knowing them to be counterfeits" does not change this interpretation. See Jury's Response to Verdict Form Question 6. Question 6 merely asked the jury if defendants knew that some of the labels they were using were not originally printed by Westinghouse — it did not ask whether by using Westinghouse's mark, defendants intended to deceive. Since Instruction 65 clearly made the act of copying labels an issue, this Court has no reason to suspect that the jurors would have interpreted Question 6 in any other manner.

6) Westinghouse did not know, nor should it have known, that defendants happened to be reproducing the labels.[20]

III.

Having found that the "ultimate questions of fact were clearly submitted to the jury,"[21] and that the jury answered them in a manner consistent with the instructions and the evidence, this Court must now determine whether these facts entitle Westinghouse to damages or an injunction. This Court must determine a) whether these facts do establish Westinghouse's § 1114 claim, and b) whether these facts establish affirmative defenses to § 1114.

A. Westinghouse Established Its § 1114 Claim.

The jury found that Westinghouse established all of the facts necessary to prove its § 1114 claim. Where confusion would otherwise result, a reconditioned product must be labelled as "reconditioned" such that purchasers are aware

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[20]To this Court's dismay, the AC Circuit defendants made oblique and totally inappropriate references to post-verdict jury interviews, suggesting that the jury found that defendants had no bad intent and did not intend for Westinghouse to recover damages.

Indeed, one of the jurors, Lilian Johnson, wrote this Court in her own hand, stating that "The jury want [sic] to see the defendants cleared from damages claim." The letter seems to suggest that although the jury found that defendants had not committed any culpable act (they had not intended to deceive) the counterfeiting instructions nevertheless required them to answer some questions in Westinghouse's favor. Although Ms. Johnson did not refer to them specifically, she was obviously speaking of Instruction 65 and Question 6.

Of course, as AC Circuit should understand, Ms. Johnson's letter and AC Circuit's jury interviews are inadmissible, and this Court gives them no weight whatsoever. See *United States v. Rohrer, 708 F.2d 429, 434 (9th Cir. 1983)*; F.R.Evid. 606(b).

[21]*Central Progressive Bank v. Fireman's Fund Ins. Co., 658 F.2d 377, 381 (5th Cir. 1981).*

of the true source of both the labor and the components which make up the product. This rule assures consumers that a given label indicates a given standard of quality control, and is supported by a half-century of jurisprudence. See, e.g., *Polymer Technology Corp. v. Mimran, 975 F.2d 58, 62 (2d Cir. 1992)* ("One of the most valuable and important protections afforded by the Lanham Act is the right to control the quality of the goods manufactured and sold under the holder's trademark."); *Shell Oil Co. v. Commercial Petroleum, Inc., 928 F.2d 104, 107 (4th Cir. 1991)* ("A product is not truly 'genuine' unless it is manufactured and distributed under quality controls established by the manufacturer."); *Singer Mfg. Co. v. Briley, 207 F.2d 519, 521 n.3 (5th Cir. 1953); Brandtjen & Kluge, Inc. v. Prudhomme, 765 F. Supp. 1551, 1573 (N.D. Tex. 1991); Mfg. Co. v. CGM Valve & Gauge Co., 730 F. Supp. 1387, 1394-95 (S.D. Tex. 1989); Adolf Coors Co. v. A. Genderson & Sons, Inc., 486 F. Supp. 131, 135 (D. Colo. 1980).*

Notwithstanding this well-established line of authority, the Pencon defendants suggest that a Ninth Circuit decision decided after the jury returned its verdicts in this case, *Intel Corp. v. Terabyte Int'l, 6 F.3d 614 (9th Cir. 1993),* undermines Westinghouse's § 1114 claim.[22] As the Pencon defendants read Intel, sale of a reconditioned product violates § 1114 only if (1) it is relabeled as having a capacity that it does not have (the Intel facts); or (2) the changes to the

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[22]Intel involved a blatant scheme to deceive, in which defendant mislabeled plaintiff's coprocessors, leading consumers to believe that the coprocessors were faster and more expensive than they actually were. *Id at 619.* Nevertheless, the Intel defendant argued that it did not infringe under § 1114 because it did not misidentify the original source of the products. The Ninth Circuit disagreed, noting that the labels deceived, whether or not they correctly identified the coprocessor's original source. *Id. at 619-20.*

breakers were "so extensive or so basic that it would be a misnomer to call the article by its original name."[23]

The Pencon defendants contend that the reconditioned breakers in the instant case were substantively the same as new breakers — thus, they cannot be liable under § 1114. Defendants grossly misread Intel and the Supreme Court case upon which it relies, *Champion Spark Plug Co. v. Sanders, 331 U.S. 125, 91 L. Ed, 1386, 67 S. Ct. 1136 (1947)*. Intel suggests that a defendant cannot label one product as another, even if both products are made by the same source. In other words, don't put a Mustang mark on your Ford Escort and try to sell it as a Mustang, even though both cars are made by Ford. Champion suggests that in some circumstances, "the reconditioning or repair would be so extensive or so basic that it would be a misnomer to call the article by its original name, even though the words 'used' or 'repaired' were added." *Champion, 331 U.S. at 129-30* (emphasis added). In other words, after your Mustang has been squashed into a metal cube by the wrecker, you cannot rebuild a Mustang from the scrap and sell it as a "used Ford Mustang," even though it was once a Mustang.

Neither case suggests that an automobile restorer can take a Mustang with 50,000 miles on it, restore it, roll back the odometer, and use the Ford Mustang mark such that consumers believe that it is a new Mustang, even if in fact it may be qualitatively identical to a new Mustang. That, in effect, is what the jury found that defendants did here. Thus, the jury properly concluded that Westinghouse proved its § 1114 claim.

B. Defendants Established Affirmative Defenses to Both the § 1114 and § 1125 Claims.

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[23]General Magnetics' Opposition Brief Re Damages, October 4, 1993, at 2-3.

With regard to the affirmative defenses, the jury found:

1) Defendants did not intend to deceive the public with its use of the Westinghouse mark.

2) Westinghouse knew, or should have known, that defendants were selling reconditioned breakers bearing Westinghouse's marks.

3) Westinghouse did not know, nor should it have known, that defendants happened to be reproducing the labels.

Westinghouse argues that since the jury found that Westinghouse neither knew, nor should have known, that defendants were copying labels, defendants are liable for those breakers which bore copied labels, but not those which bore original labels.

Defendants counter that such a result is simply illogical and unsupported by the law. So long as Westinghouse knew, or should have known, that defendants were using the Westinghouse mark, it makes no difference whether Westinghouse knew that the labels were copies or thought they were originals. According to defendants, Instruction 65 erroneously focused the jury's attention on an irrelevant detail — whether Westinghouse knew that the defendants were duplicating labels.[24] Since the jury found for defendants on all of the requisites to the affirmative defenses, defendants ask this Court to enter judgment in their favor.

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[24]See Defendant's Trial Brief Re: Damages, September 29, 1993, at 15:

The lack of a finding for defendants on the defenses as to the 1114 claim arises from the erroneous instruction number 65, which required defendants to prove that plaintiffs knew or should have known of the actual copying of the mark, as opposed to the simple use of the mark under conditions giving rise to a likelihood of confusion. (filed by the Pencon defendants).

Instruction 65 thus becomes the fulcrum of this case. If it is a correct statement of law, this Court should calculate the damages to which Westinghouse is entitled. If it is not, this Court should conclude that Westinghouse is not entitled to monetary relief.

Instruction 65, one of seventy-two eventually adopted, was based on the mundane principle that proving an affirmative defense to one claim does not necessarily establish an affirmative defense to another claim because the elements of the claims may differ. See, e.g., *Hobson v. Wilson, 237 U.S. App. D.C. 219, 737 F.2d 1, 35 (D.C. Cir. 1984)*, cert. denied, *470 U.S. 1084, 85 L. Ed. 2d 142, 105 S. Ct. 1843 (1985); Yeadon v. New York City Transit Authority, 719 F. Supp. 204, 209 (S.D.N.Y. 1989)*. This instruction is so standard, routine, and innocuous that it wriggled into the nearly 100-page packet of instructions without fanfare, notwithstanding defendants' timely objection.[25]

Westinghouse continues to contend that Instruction 65 was correct because the § 1114 and § 1125 claims have different elements and involve "different levels of culpability."[26] According to Westinghouse, the § 1114 claim has an additional element — that defendants reproduced Westinghouse labels rather than merely used original Westinghouse labels they already possessed. Moreover, Westinghouse argues that since § 1114 requires duplication of labels, it involves a greater level of culpability, since "counterfeiting labels" is inherently more sinister than deceiving with original labels. Westinghouse is incorrect, apparently still confused by 1) section 1114's requirement of "use in commerce [of] any reproduction, counterfeit, copy or colorable imita-

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[25]See, e.g., Supplemental Objections to Proposed Jury Instructions, July 4, 1993 at 3, 6-7 (filed by the Pencon defendants).

[26]See Westinghouse Response at 21.

tion of a registered mark"; and 2) section 1117's special penalties against those who "counterfeit."

Contrary to Westinghouse's belief, using duplicate labels is not an element of § 1114 — plaintiff need prove only that defendants used reasonable facsimiles of the Westinghouse mark, regardless of whether they used original or photocopied labels.[27] To hold otherwise would incorrectly shift the focus away from the fundamental "keystone" of both unfair competition and trademark infringement — likelihood of confusion[28] — onto something about which the Lanham Act is unconcerned — the mere act of photocopying. Since the public is no more likely to be deceived by a counterfeit label

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[27]Thus, the § 1114 and § 1125 claims have substantially identical elements for purposes of this lawsuit.

[28]Trademark law does not confer "a complete monopoly over (a trademark's) use .... The Lanham Act and its legislative history reveals no congressional design to bestow such broad property rights on trademark owners. Its scope is much narrower: to protect consumers against deceptive designations of the origin of goods, and, conversely, to enable producers to differentiate their products from those of others." *International Order of Job's Daughters v. Lindeburg and Co., 633 F.2d 912, 918 (9th Cir. 1980)*, cert. denied, *452 U.S. 941, 69 L. Ed. 2d 956, 101 S. Ct. 3086 (1981)*.

See also *Beer Nuts, Inc. v. King Nut Co., 477 F.2d 326, 329* (8th Cir.), cert. denied, *414 U.S. 858, 38 L. Ed. 2d 108, 94 S. Ct. 66 (1973)* ("The essence of the wrong of trademark infringement is the passing off of the goods of one as those of another."); *Continental Motors Corp. v. Continental Aviation Corp., 375 F.2d 857 861 (5th Cir. 1967)* ("Confusion, or the likelihood of confusion ... is the real test of trademark infringement."); *Safeway Stores, Inc. v. Safeway Properties, Inc., 307 F.2d 495, 497 (2d Cir. 1962)* ("The keystone in that portion of the law of unfair competition which relates to trademarks is the avoidance of confusion in the minds of the buying public."); McCarthy § 2.03 ("Whatever route one travels, whether by trademark infringement or unfair competition, the signs give direction to the same enquiry — whether defendant's acts are likely to cause confusion").

than they are by an original label (in fact, the opposite is true),[29] § 1114 does not distinguish between the two.

As Judge Posner remarked:

> We can see no difference, so far as the objectives of section 1114(1)(a) are concerned, between [unauthorized use of original labels] and making a reproduction [of the label]. The happenstance of having trademarks made by the owner in one's possession, so that one doesn't have to copy the, has no relevance to the purposes of the statute. Indeed, the danger of confusion is even greater because the "imitation" is not merely colorable, but perfect. The more fundamental point is that the purpose of trademark law is not to guarantee genuine trademarks but to guarantee that every item sold under a trademark is the genuine trademarked product, and not a substitute. . . . The only function of a trademark is to designate a product or service, and the misconduct at which section 1114 is aimed consists not in making the trademark without authorization but in affixing it to the wrong product: it is an irrelevant detail whether the trademark was [original] or merely copied.

General Electric Co. v. Speicher, 877 F.2d 531, 534-35 (7th Cir. 1989). Thus, even though the Speicher defendant had used original labels made by the plaintiff, the Court held that it was liable under § 1114. Speicher's conclusion that copying is not an element of § 1114 is hardly novel — courts have found parties using original labels liable for trademark infringement for over fifty years. See, e.g., *Polymer Technology Corp. v. Mimran, 975 F.2d 58, 63 (2d Cir. 1992)* ("A distributor's failure to observe a restrictive condition on the type or class of customers with whom it may deal can constitute trademark infringement" under § 1114 even though the labels are original); *Interstate Battery*

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[29]The public is less likely to be deceived by a counterfeit label if the technology used is poor.

System of America, Inc. v. Wright, 811 F. Supp. 237, 244 (N.D. Tex. 1993) (holding defendant liable for "trademark counterfeiting" under § 1114 where defendant "used certain stickers or labels acquired from Plaintiff and affixed such labels or stickers to ... batteries not manufactured by authorized manufacturers of Plaintiff"): *Adolph Coors Co. v. A. Genderson & Sons, Inc., 486 F. Supp. 131, 135 (D. Colo. 1980)* ("Although defendant's conduct does not literally involve reproduction, counterfeit, copy or colorable imitation of a trademark [but instead involves reselling beer in its original containers bearing its original labels], it nevertheless falls within the scope of § 1114 [because defendant did not follow Coors' control procedures to maintain the quality of the beer]"); *J.C. Penney Co. v. Parrish Co., 339 F. Supp. 726 (D. Idaho 1972)* (holding that defendant could be liable under § 1114 for selling damaged Penney's merchandise without removing the trademarks); *Coty, Inc. v. Willingmyre, 35 F. Supp. 346 (D. Pa. 1940)* (holding defendant liable for trademark infringement where it refilled plaintiff's original perfume bottles, which still bore plaintiff's original labels, with spurious perfume).

Since confusion is the touchstone of trademark law, and since copying labels is not an element of either a § 1114 claim or a § 1125 claim, the Lanham Act does not forbid the mere act of copying labels. *Prestonettes, Inc. v. Coty, 264 U.S. 359, 368, 68 L. Ed. 731, 44 S. Ct. 350 (1924)* ("[Trademark] does not confer a right to prohibit the use of the word or words. It is not a copyright.... A trademark only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his."). See also *Shaw v. Lindheim, 919 F.2d 1353, 1364-65 (9th Cir. 1990)* ("[Plaintiff's] claim is not consistent with the Lanham Act's purpose of preventing individuals from misleading the public by placing their competitors' work forward as their own... We decline to expand the scope of the Lanham Act to cover cases in which

the Federal Copyright Act provides and adequate remedy."); *American Footwear Corp. v. General Footwear Co. Ltd., 609 F.2d 655, 663-64 (2d Cir. 1979)*, cert. denied, *445 U.S. 951, 63, L. Ed. 2d* 951787, 100 S. Ct. 1601 (1980); Quality Inns Int'l Inc. v. McDonald's Corp., 695 F. Supp. 198, 218 (D.Md. 1988) ("Unlike a copyright, mere reproduction of a trademark is not an infringement."); *Bayer Co. v. Shoyer, 27 F. Supp. 633, 637 (E.D.Pa. 1939);* McCarthy, § 6.04[2] ("Copyright law gives the author the right to prevent copying of the copyrighted work in any medium. Trademark law prevents the use of a similar mark on such goods or services as would probably cause confusion. Thus, the scope of rights in copyrights and trademarks is defined quite differently."). CF. *Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633, 639* (2d Cir.), cert. denied, *352 U.S. 871, 1 L. Ed. 2d 76, 77 S. Ct. 96 (1956)* ("The wrong takes place not where the deceptive labels are affixed to the goods or where the goods are wrapped in the misleading packages, but where the passing off occurs . . . ").[30] Thus, where a trademark holder takes issue with the copying of his labels but has acquiesced to the use of his mark, he must either sue for a breach of a licensing agreement or rely on copyright law to provide protection, if he is entitled to any protection at all.[31]

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[30]In fact, consumer welfare may be promoted where an independent dealers/repairer duplicates a mark in order to indicate the type of products they repair or sell, so long consumers are not confused in the process. See, e.g., *Volkswagenwerk Aktiengesellschaft v. Church, 411 F.2d 350, 352 (9th Cir. 1969)*, supp. op., *413 F.2d 1126 (9th Cir. 1969); General Electric Co. v. A-All Appliance Parts Co., 224 U.S.P.Q. 1054 (E.D. Mich. 1984).*

[31]A contrary result, which Westinghouse champions, is inconsistent not only with a half-century of jurisprudence, but also with logic itself. Suppose that a trademark holder knows that a reconditioner has a pallet of labels, originally printed by the trademark holder, and knows that the reconditioner intends to use these labels on its reconditioned breakers.

The original/duplicate label distinction is also irrelevant to § 1117, which provides for stronger remedies against those who use "counterfeit" marks. Since the Act is concerned with confusion, it defines a counterfeit mark as one "identical with, or substantially indistinguishable from" plaintiff's mark. *15 U.S.C. § 1116*(d)(1)(B)(ii). If, for example, a plaintiff were to use the registered trademark "Kortenkampwear" in camping gear and clothes, and a defendant were to apply the identical mark to non-Kortenkampwear camping products, the defendant would be a counterfeiter, regardless of whether it used labels originally printed by the plaintiff or made its own labels. In such a case, since the public is exceptionally likely to be confused by the use of identical marks, and such a defendant's conduct is often egregious, § 1117(b) provides for treble damages absent exceptional circumstances. See *Speicher, 877 F.2d at 537* (ordering the district court to contemplate treble damages under § 1117(b), even though defendant used labels printed by the plaintiff).

If, on the other hand, a defendant uses the mark "Kurts-Kampingwear" on non-Kortenkampwear products, it would not be a counterfeiter since this mark is not "identical with, or substantially indistinguishable from" the plaintiff's mark. Although this may not prevent the defendant from being found liable for trademark infringement under § 1114 if the defendant's label is held to be a "colorable imitation" of plaintiff's mark, it will protect the defendant from being liable for treble damages. *15 U.S.C. § 1117(a)*. See McCarthy, § 25.01[5][b] ("The Lanham Act carves out 'counter-

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After a fire at the reconditioner's place of business, which destroys half of the labels, the reconditioner makes exact copies to replace the burned labels, puts them on his breakers, and sells them. Does trademark law now give the trademark holder a right to sue for damages? Of course not. The trademark laws are concerned with the use of marks, and the trademark holder in this example has already acquiesced to the use of his mark.

feit' as a more egregious type of 'colorable imitation.' When courts have used the term 'counterfeit,' it has usually been in the context of invoking greater discretionary remedies.").

Thus, in the instant case, whether defendants copied labels or used original Westinghouse labels is irrelevant. Defendants were liable under § 1114, if at all, for all reconditioned breakers which were likely to cause confusion, including those with original and those with duplicate labels. Moreover, defendants were exposed to treble damages liability, if at all, for all reconditioned breakers bearing either original Westinghouse labels or copies, so long as those copies were "substantially indistinguishable from" the original Westinghouse labels. To establish an affirmative defense to § 1114, defendants needed only to prove that Westinghouse knew that defendants were using the Westinghouse mark. They did not need to prove that Westinghouse knew that defendants were copying labels. Since the jury found that Westinghouse knew, or should have known, that defendants were selling reconditioned breakers bearing the Westinghouse mark without labeling them as reconditioned, it found that defendants established each and every element necessary to prove an affirmative defense to Westinghouse's § 1114 and § 1125 claims.[32]

Consequently, this Court concludes that Westinghouse is entitled to no monetary recovery whatsoever, and will enter judgment to the effect. See *Silverberg v. Paine, Webber, Jackson & Curtis, Inc., 710 F.2d 678, 685 (11th Cir. 1983)* ("Where a commonsensical interpretation of the various

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[32]Westinghouse might argue that the jury's decision to amend its verdict form indicates confusion and irreparably taints the trial. This Court disagrees. The jurors specifically explained that they had made an error in transposition, and did not indicate that they were confused. This Court accepts their explanation, as any observer of this trial must: the jury's final answers are consistent with both the evidence and the instructions. The jury understood its task and executed it capably.

verdict forms... makes clear [the jury's] intent," the district court appropriately denied a new trial and entered judgment consistent with that intent). Cf. *Los Angeles Nut House v. Holiday Hardware Corp., 825 F.2d 1351, 1356 (9th Cir. 1987)*; F.R.Civ.P. 49.[33]

IV.

To the extent that Instruction 65 implied that the original/copied label distinction had legal significance, it erred. However, this error is harmless and does not prevent this Court from entering judgment consistent with the jury's findings. Although Instruction 65 favored Westinghouse by suggesting that copying labels is in and of itself a legal wrong, the jury found each and every fact necessary to establish the affirmative defenses. Since nothing suggests that the jury would have resolved the facts differently but for the error, the error is harmless. See, e.g., *Cancellier v. Federated Dept. Stores, 672 F.2d 1312, 1316* (9th Cir.), cert. denied, *459 U.S. 859, 74 L. Ed. 113, 103 S. Ct. 131 (1982)* ("There is no indication in the proceedings that the outcome would have changed if the [proper] jury instruc-

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[33]In L.A. Nut House, the jury entered a general verdict which was inconsistent with the special interrogatories. The Ninth Circuit held the district court was permitted to enter judgment consistent with the answers to the special interrogatories, which were themselves consistent. Thus, even when a jury may have evidenced confusion by reaching an inconsistent general verdict, a district court is permitted to enter judgment consistent with the jury's factual findings.

In the instant case, the jury's responses suggest no such confusion. Their responses are completely consistent with the jury instructions and the evidence presented. If, as in L.A. Nut House, a court has discretion to enter judgment consistent with a jury's factual findings even where the jury's inconsistent general verdict suggests confusion, it must be proper to enter judgment consistent with a jury's factual findings where, as here, the jury has responded to the instructions in an absolutely consistent manner.

tion had been given; to the contrary it affirmatively appears from the record that the instruction did not prejudice defendant. This case was not decided by a hairsbreadth."); *Sun Studs, Inc. v. ATA Equipment Leasing, Inc., 872 F.2d 978, 983-84 (Fed. Cir. 1989)* (finding error harmless where the jury found patent valid, in spite of an instruction which placed too great a burden on patentee to demonstrate validity); *Richardson v. Suzuki Motor Co., Ltd., 868 F.2d 1226, 1236-37* (Fed. Cir.), cert. denied, *493 U.S. 853, 107 L. Ed. 2d 112, 110 S. Ct. 154 (1989)* (same). Cf. *McKenzie v. Risley, 842 F.2d 1525, 1530* (9th Cir.), cert. denied, *488 U.S. 901, 102 L. Ed. 2d 239, 109 S. Ct. 250 (1988)* (in a criminal case, jury instruction is harmless "if the facts found by the jury were such that it is clear beyond a reasonable doubt that if the jury had never heard the impermissible instruction its verdict would have been the same.") (quoting *Pope v. Illinois, 481 U.S. 497, 503 n.6, 95 L. Ed. 2d 439, 107 S. Ct. 1918 (1987)).*

Westinghouse might argue that even without Instruction 65, the jury might have deliberately found for Westinghouse on the § 1114 affirmative defenses and against it on all of the other claims, intending to play Solomon and give defendants and plaintiff each half a baby. Westinghouse may contend that by entering judgment consistent with the jury's factual findings, this Court deprives the jury of its opportunity to split the baby in half.

This argument is unavailing. At a minimum, it is fatally speculative. Considering the evidence presented on affirmative defenses and unclean hands, this Court cannot fathom that any jury would have attempted to split the difference and give Westinghouse the benefit of an inconsistent verdict.

Second, even if the jury had intentionally reached an unfounded and anomalous result, this Court doubts whether such a verdict would have withstood scrutiny. Although, as a

rule, civil juries must return consistent verdicts,[34] some argue that an inconsistent verdict should be allowed to stand when it is the product of jury intent rather than jury confusion. See Alexander M. Bickel, Note, Judge and Jury—Inconsistent Verdicts in the Federal Courts, *63 Harv. L. Rev. 649, 654-55 (1950); Hines v. IBG Int'l, Inc., 813 F.2d 1331, 1334 (4th Cir. 1987)*. Judge Easterbrook counters, however, that such verdicts may indicate compromise, which dilutes the requirement that verdicts be unanimous, or worse, may indicate confusion. *Will v. Comprehensive Accounting Corp., 776 F.2d 665, 677 (7th Cir. 1985)*, cert. denied, *475 U.S. 1129, 90 L. Ed. 2d 201, 106 S. Ct. 1659 (1986)*.[35] This Court adds that such verdicts not only dilute the law but also discourage settlement of large cases by eliminating some of the risk of trial. Thus, this Court concludes that entering judgment for defendants on all of their affirmative defenses does not deprive Westinghouse of its right to an inconsistent verdict, since no such rights exists.[36] At any rate, Westinghouse deprived itself of

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[34]See, e.g., *Gallick v. Baltimore & O. R. Co., 372 U.S. 108, 119, 9 L. Ed. 2d 618, 83 S. Ct. 659 (1963)*.

[35]Although Judge Easterbrook spoke of inconsistencies between different parties, not different claims, his concerns are applicable to both cases.

[36]See also *Riley v. K-Mart Corp., 864 F.2d 1049 (3rd Cir. 1989)*. In Riley, the district court gave an erroneous answer to a jury question, misstating the legal effect of a factual finding they were required to make. Shortly thereafter, the jury returned its results.

Instead of entering judgment consistent with the jury's factual findings, the district court resubmitted the matter to the jury, telling them that he had erroneously explained the law, although he had correctly instructed them to resolve all of the material factual disputes. Realizing that their factual findings had a different legal effect than they had initially believed, the jury reconvened and submitted a second set of answers. Although the jury's revised factual findings differed markedly from their first set of answers, the district court entered judgment

any such right by championing a misleading instruction which implied that the Lanham Act forbids the act of copying labels. Westinghouse cannot now argue that the jury would have reached a Solomon-like verdict if only this Court had not given the instruction which Westinghouse itself advocated.[17] See *Cancellier, 672 F.2d at 1316* ("Significantly, the challenged instruction was fashioned by the judge from language submitted by [the party now contending that it is not harmless error].").

V.

"It has long been established that a litigant 'is entitled to a fair trial but not a perfect one.' " *Hard v. Burlington N. R.R. Co., 870 F.2d 1454, 1460 (9th Cir. 1989)* (quoting *Brown v. United States, 411 U.S. 223, 231-32, 36 L. Ed. 2d 208, 93 S. Ct. 1565 (1973)); Devices for Medicine, Inc. v. Boehl, 822 F.2d 1062, 1066 (Fed. Cir. 1987)* ("trials must be fair, not perfect"). Here, the trial was not perfect but it was more than fair to Westinghouse, which received the benefit of Instruction 65. In spite of Instruction 65's sugges-

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consistent with the second set of answers. The Third Circuit reversed, finding that the jury should not have been invited to manipulate its factual findings in order to achieve a specific result.

The Third Circuit remarked that although the district court had erroneously described the legal consequences of the jury's findings, it could have entered judgment based on the first set of answers since the factual issues were clearly presented to the jury. *Id. at 1052.*

That is exactly what this Court does here.

[17] See Plaintiff Vestinghouse Electric Corporation's Objections to Defendants' Supplemental Proposed Jury Instructions and Argument in Support of Westinghouse's Supplemental Instructions, July 1, 1993 at 52 ("In order to defeat Westinghouse's counterfeiting claim, defendants must show that Wetinghouse knew or should have known not merely of their sale of breakes bearing the Westinghouse mark, but also of their application of copies of the Westinghouse trademark to the used and reconditioned breakers they sold.").

tion that copying labels is a wrong in and of itself, the jury found all facts necessary for defendants to prevail on their affirmative defenses to all claims, and found that defendants did not intend to deceive. In these circumstances, the error is harmless. Westinghouse is entitled to neither damages nor a new trial.

However, since the jury found that Westinghouse proved its § 1114 and § 1125 claims, Westinghouse may be entitled to an injunction. This Court therefore invites the parties to submit supplemental briefs on the appropriate form of injunctive relief in light of this order. These briefs shall be filed no later than Friday, July 8, 1994.

IT IS SO ORDERED.

RICHARD A. GADBOIS, JR.
United States District Judge
DATED: May 16, 1994

APPENDIX C

UNITED STATES CODE
TITLE 15. COMMERCE AND TRADE
CHAPTER 22 — TRADEMARKS
SUBCHAPTER III — GENERAL PROVISIONS

§ 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant —

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) of this section, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

As used in this subsection, the term "any person" includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State

acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

(2) Notwithstanding any other provision of this chapter, the remedies given to the owner of a right infringed under this chapter or to a person bringing an action under section 1125(a) of this title shall be limited as follows:

(A) Where an infringer or violator is engaged solely in the business of printing the mark or violating matter for others and establishes that he or she was an innocent infringer or innocent violator, the owner of the right infringed or person bringing the action under section 1125(a) of this title shall be entitled as against such infringer or violator only to an injunction against future printing.

(B) Where the infringement or violation complained of is contained in or is part of paid advertising matter in a newspaper, magazine, or other similar periodical or in an electronic communication as defined in section 2510(12) of Title 18, the remedies of the owner of the right infringed or person bringing the action under section 1125(a) of this title as against the publisher or distributor of such newspaper, magazine, or other similar periodical or electronic communication shall be limited to an injunction against the presentation of such advertising matter in future issues of such newspapers, magazines, or other similar periodicals or in future transmissions of such electronic communications.

The limitations of this subparagraph shall apply only to innocent infringers and innocent violators.

(C) Injunctive relief shall not be available to the owner of the right infringed or person bringing the action under section 1125(a) of this title with respect to an issue

of a newspaper, magazine, or other similar periodical or an electronic communication containing infringing matter or violating matter where restraining the dissemination of such infringing matter or violating matter in any particular issue of such periodical or in an electronic communication would delay the delivery of such issue or transmission of such electronic communication after the regular time for such delivery or transmission, and such delay would be due to the method by which publication and distribution of such periodical or transmission of such electronic communication is customarily conducted in accordance with sound business practice, and not due to any method or device adopted to evade this section or to prevent or delay the issuance of an injunction or restraining order with respect to such infringing matter or violating matter.

(D) As used in this paragraph —

(i) the term "violator" means a person who violates section 1125(a) of this title; and

(ii) the term "violating matter" means matter that is the subject of a violation under section 1125(a) of this title.

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§ 1116. Injunctive relief

(a) Jurisdiction; service

The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under section 1125(a) of this title. Any such injunction may include a provision directing the defendant to file with the court and serve on the plaintiff within thirty days after the service on the defendant of such injunction, or such extended period as the court may direct, a report in writing under oath setting forth in detail the manner and form in which the defendant has complied with the injunction. Any such injunction granted upon hearing, after notice to the defendant, by any district court of the United States, may be served on the parties against whom such injunction is granted anywhere in the United States where they may be found, and shall be operative and may be enforced by proceedings to punish for contempt, or otherwise, by the court by which such injunction was granted, or by any other United States district court in whose jurisdiction the defendant may be found.

(b) Transfer of certified copies of court papers

The said courts shall have jurisdiction to enforce said injunction, as provided in this chapter, as fully as if the injunction had been granted by the district court in which it is sought to be enforced. The clerk of the court or judge

granting the injunction shall, when required to do so by the court before which application to enforce said injunction is made, transfer without delay to said court a certified copy of all papers on file in his office which said injunction was granted.

(c) Notice to Commissioner

It shall be the duty of the clerks of such courts within one month after the filing of any action, suit, or proceeding involving a mark registered under the provisions of this chapter to give notice thereof in writing to the Commissioner setting forth in order so far as known the names and addresses of the litigants and the designating number or numbers of the registration or registrations upon which the action, suit, or proceeding has been brought, and in the event any other registration be subsequently included in the action, suit, or proceeding by amendment, answer, or other pleading, the clerk shall give like notice thereof to the Commissioner, and within one month after the judgment is entered or an appeal is taken the clerk of the court shall give notice thereof to the Commissioner, and it shall be the duty of the Commissioner on receipt of such notice forthwith to endorse the same upon the file wrapper of the said registration or registrations and to incorporate the same as a part of the contents of said file wrapper.

(d) Civil actions arising out of use of counterfeit marks

(1)(A) In the case of a civil action arising under section 1114(1)(a) of this title or section 380 of Title 36 with respect to a violation that consists of using a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services, the court may, upon ex parte application, grant an order under subsection (a) of this section pursuant to this subsection providing for the seizure of goods and counterfeit marks involved in such violation and the means of making such marks, and records docu-

menting the manufacture, sale, or receipt of things involved in such violation.

(B) as used in this subsection the term "counterfeit mark" means–

(i) a counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered; or

(ii) a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of this chapter are made available by reason of section 380 of Title 36;

but such term does not include any mark or designation used on or in connection with goods or services of which the manufacture [She] or producer was, at the time of the manufacture or production in question authorized to use the mark or designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation.

(2) The court shall not receive an application under this subsection unless the applicant has given such notice of the application as is reasonable under the circumstances to the United States attorney for the judicial district in which such order is sought. Such attorney may participate in the proceedings arising under such application if such proceedings may affect evidence of an offense against the United States. The court may deny such application if the court determines that the public interest in a potential prosecution so requires.

(3) The application for an order under this subsection shall–

(A) be based on an affidavit or the verified complaint establishing facts sufficient to support the findings of fact and conclusions of law required for such order; and

(B) contain the additional information required by paragraph (5) of this subsection to be set forth in such order.

(4) The court shall not grant such an application unless–

(A) the person obtaining an order under this subsection provides the security determined adequate by the court for the payment of such damages as any person may be entitled to recover as a result of a wrongful seizure or wrongful attempted seizure under this subsection; and

(B) the court finds that it clearly appears from specific facts that —

(i) an order other than an ex parte seizure order is not adequate to achieve the purposes of section 1114 of this title;

(ii) the applicant has not publicized the requested seizure;

(iii) the applicant is likely to succeed in showing that the person against whom seizure would be ordered used a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services;

(iv) an immediate and irreparable injury will occur if such seizure is not ordered;

(v) the matter to be seized will be located at the place identified in the application;

(vi) the harm to the applicant of denying the application outweighs the harm to the legitimate interests of the person against whom seizure would be ordered of granting the application; and

(vii) the person against whom seizure would be ordered, or persons acting in concert with such person, would destroy, move, hide, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person.

(5) An order under this subsection shall set forth —

(A) the findings of fact and conclusions of law required for the order;

(B) a particular description of the matter to be seized, and a description of each place at which such matter is to be seized;

(C) the time period, which shall end not later than seven days after the date on which such order is issued, during which the seizure is to be made;

(D) the amount of security required to be provided under this subsection; and

(E) a date for the hearing required under paragraph (10) of this subsection.

(6) The court shall take appropriate action to protect the person against whom an order under this subsection is directed from publicity, by or at the behest of the plaintiff, about such order and any seizure under such order.

(7) Any materials seized under this subsection shall be taken into the custody of the court. The court shall enter an appropriate protective order with respect to discovery by the applicant of any records that have been seized. The protective order shall provide for appropriate procedures to assure that confidential information contained in such records is not improperly disclosed to the applicant.

(8) An order under this subsection, together with the supporting documents, shall be sealed until the person against whom the order is directed has an opportunity to

contest such order, except that any person against whom such order is issued shall have access to such order and supporting documents after the seizure has been carried out.

(9) The court shall order that service of a copy of the order under this subsection shall be made by a Federal law enforcement officer (such as a United States marshal or an officer or agent of the United States Customs Service, Secret Service, Federal Bureau of Investigation, or Post Office) or may be made by a State or local law enforcement officer, who, upon making service, shall carry out the seizure under the order. The court shall issue orders, when appropriate, to protect the defendant from undue damage from the disclosure of trade secrets or other confidential information during the course of the seizure, including, when appropriate, orders restricting the access of the applicant (or any agent or employee of the applicant) to such secrets or information.

(10)(A) The court shall hold a hearing, unless waived by all the parties, on the date set by the court in the order of seizure. That date shall be not sooner than ten days after the order is issued and not later than fifteen days after the order is issued, unless the applicant for the order shows good cause for another date or unless the party against whom such order is directed consents to another date for such hearing. At such hearing the party obtaining the order shall have the burden to prove that the facts supporting findings of fact and conclusions of law necessary to support such order are still in effect. If that party fails to meet that burden, the seizure order shall be dissolved or modified appropriately.

(B) In connection with a hearing under this paragraph, the court may make such orders modifying the time limits for discovery under the Rules of Civil Procedure as may be necessary to prevent the frustration of the purposes of such hearing.

(11) A person who suffers damage by reason of wrongful seizure under this subsection under this subsection has a cause of action against the applicant for the order under which such seizure was made, and shall be entitled to recover such relief as may be appropriate, including damages for lost profits, cost of materials, loss of good will, and punitive damages in instances where the seizure was sought in bad faith, and, unless the court finds extenuating circumstances, to recover a reasonable attorney's fee. The court in its discretion may award prejudgment interest on relief recovered under this paragraph, at an annual interest rate established under section 6621 of Title 26, commencing on the date of service of the claimant's pleading setting forth the claim under this paragraph and ending on the date such recovery is granted, or for such shorter time as the court deems appropriate.

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CHAPTER 22 — TRADEMARKS
SUBCHAPTER III — GENERAL PROVISIONS

§ 1117. Recovery for violation of rights

(a) Profits, damages and costs; attorney fees

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section 1125(a) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to provide defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

(b) Treble damages for use of counterfeit mark

In assessing damages under subsection (a) of this section, the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever is greater, together with a reasonable

attorney's fees, in the case of any violation of section 1114(1)(a) of this title or section 380 of Title 36 that consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services. In such cases, the court may in its discretion award prejudgment interest on such amount at an annual interest rate established under section 6621 of Title 26, commencing on the date of the service of the claimant's pleadings setting forth the claim for such entry and ending on the date such entry is made, or for such shorter time as the court deems appropriate.

(c) Election of award of statutory damages

In a case involving the use of a counterfeit mark (as defined in section 1116(d) of this title) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a) of this section, an award of statutory damages for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of —

(1) not less than $500 or more than $100,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or

(2) if the court finds that the use of the counterfeit mark was willful, not more than $1,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.

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Subchapter III — General Provisions

§ 1127. Construction and definitions; intent of chapter

In the construction of this chapter, unless the contrary is plainly apparent from the context —

The United States includes and embraces all territory which is under its jurisdiction and control.

The word "commerce" means all commerce which may lawfully be regulated by Congress.

The term "principal register" refers to the register provided for by sections 1051 to 1072 of this title, and the term "supplemental register" refers to the register provided for by sections 1091 to 1096 of this title.

The term "person" and any other word or term used to designate the applicant or other entitled to a benefit or privilege or rendered liable under the provisions of this chapter includes a juristic person as well as a natural person. The term "juristic person" includes a firm, corporation, union, association, or other organization capable of suing and being sued in a court of law.

The term "person" also includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

The terms "applicant" and "registrant" embrace the legal representatives, predecessors, successors and assigns of such applicant or registrant.

The term "Commissioner" means the Commissioner of Patents and Trademarks.

The term "related company" means any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used.

The terms "trade name" and "commercial name" mean any name used by a person to identify his or her business vocation.

The term "trademark" includes any word, name, symbol, or device, or any combination thereof —

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter,

to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

The term "service mark" means any word, name, symbol, or device, or any combination thereof —

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter,

to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown. Titles, character names, and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

The term "certification mark" means any word, name, symbol, or device, or any combination thereof —

(1) used by a person other than its owner, or

(2) which its owner has a bona fide intention to permit a person other than the owner to use in commerce and files an application to register on the principal register established by this chapter, to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.

The term "collective mark" means a trademark or service mark —

(1) used by the members of a cooperative, an association, or other collective group or organization, or

(2) which such cooperative, association, or other collective group or organization has a bone fide intention to use in commerce and applies to register on the principal register established by this chapter, and includes marks indicating membership in a union, an association, or other organization.

The term "mark" includes any trademark, service mark, collective mark, or certification mark.

The term "use in commerce" means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce —

(1) on goods when —

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the

goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

A mark shall be deemed to be "abandoned" if either of the following occurs:

(1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.

(2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph.

The term "dilution" means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of —

(1) competition between the owner of the famous mark and other parties, or

(2) likelihood of confusion, mistake, or deception.

The term "colorable imitation" includes any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.

The term "registered mark" means a mark registered in the United States Patent and Trademark Office under this chapter or under the Act of March 3, 1881, or the Act of February 20, 1905, or the Act of March 19, 1920. The phrase "marks registered in the Patent and Trademark Office" means registered marks.

The term "Act of March 3, 1991", "Act of February 20, 1905", or "Act of March 19, 1920," means the respective Act as amended.

A "counterfeit" is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.

Words used in the singular include the plural and vice versa.

The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trade-marks, trade names, and unfair competition entered into between the United States and foreign nations.

OPPOSITION

BRIEF

(2)

Supreme Court, U.S.
FILED
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No. 97-2

IN THE

Supreme Court of the United States

OCTOBER TERM, 1997

WESTINGHOUSE ELECTRIC CORPORATION,
Petitioner,

vs.

GENERAL CIRCUIT BREAKER & ELECTRIC SUPPLY INC., et al.,
Respondents.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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RESTATEMENT OF QUESTIONS PRESENTED

1. DID THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT (HEREINAFTER "NINTH CIRCUIT" OR "COURT OF APPEALS") CORRECTLY AFFIRM THE UNITED STATES DISTRICT COURT OF THE CENTRAL DISTRICT OF CALIFORNIA (HEREINAFTER "TRIAL COURT" OR "DISTRICT COURT") DECISION WHICH BARRED WESTINGHOUSE ELECTRIC CORPORATION'S (HEREINAFTER "WESTINGHOUSE") CLAIM FOR 15 U.S.C. § 1117 COUNTERFEITING DAMAGES, EVEN THOUGH WESTINGHOUSE DID NOT KNOW THE TRADEMARKS USED WERE COPIES OF ORIGINALS, BECAUSE GENERAL CIRCUIT BREAKER AND ELECTRIC SUPPLY, INC. (HEREINAFTER "GCB") PROVED ITS EQUITABLE DEFENSES TO ALL WESTINGHOUSE'S 15 U.S.C. § 1114 TRADEMARK INFRINGEMENT CLAIMS?

2. WHETHER THE DISTRICT COURT INVADED THE PROVINCE OF THE JURY AFTER A VERDICT HAD BEEN RENDERED BY APPLYING THE FACTS FOUND BY THE JURY TO THE CORRECT LAW TO RENDER AN ERRONEOUS JURY INSTRUCTION HARMLESS?

RULE 29.6 STATEMENT

Respondent General Circuit Breaker and Electric Supply, Inc. has no parent corporation and no subsidiaries.

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RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

Respondents, General Circuit Breaker and Electric Supply, Inc. and Xavier Contreras, (herein collectively referred to as "GCB"), respectfully pray that Westinghouse's Petition for Writ of Certiorari be denied.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Ninth Circuit affirming the United States District Court for the Central District of California is reported at 106 F.3d 894 (see CR Appendix A).[1] The Order of the Court of Appeals denying the Petition for Rehearing with the Suggestion for a Rehearing En Banc appears at the end of the Westinghouse Petition at Appendix A. The opinion of the United States District Court for the Central District of California (the trial court), is reported at 852 F.Supp. 883 and is attached as Appendix B to Westinghouse's Petition.

STATUTORY PROVISIONS INVOLVED

The statutory provisions involved in this case include not only the provisions of the Lanham Act as

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[1] "CR" refers to Court Opinions and Statutes filed as appendices to Westinghouse's Petition for Writ of Certiorari.

stated by Westinghouse in its Petition (see CR Appendix C), but also include 15 U.S.C. § 1125 and Cal. Bus. & Prof. Code § 17200. (See Appendices A and B to GCB's Opposition attached hereto.)

COUNTERSTATEMENT OF THE CASE

In 1988, more than ten (10) years after establishing a purchaser/supplier relationship with respondent GCB, petitioner Westinghouse sued its supplier, GCB, for trademark infringement and unfair competition. GCB sold to Westinghouse reconditioned and repaired Westinghouse breakers for resale as replacement breakers. After trial in 1993, the jury returned "verdicts" barring Westinghouse's recovery for all claims under 15 U.S.C. § 1125 (federal unfair competition) and Cal. Bus. & Prof. Code § 17200 (state unfair competition) due to laches, acquiescence, estoppel, and unclean hands. The jury found for Westinghouse on its 15 U.S.C. § 1114 (hereinafter "§ 1114") trademark infringement claims; but, inconsistently, the jury did not find for GCB on its § 1114 equitable defenses claims, even though the jury found that GCB had proved the identical defenses for the broader state and federal unfair competition claims.

The District Court reviewed the jury instruction for the § 1114 claim and determined that the instruction was erroneous. In this unique case, the District Court was able to determine the facts found by the jury necessary to reach the undisputed unfair competition verdicts. By applying the facts from the undisputed verdicts to the correct law to all § 1114 claims, the

District Court corrected the effect of the erroneous instruction.

The District Court determined that all GCB's defenses were established to all § 1114 claims, including counterfeiting. The Ninth Circuit affirmed the District Court, noting the unusual and limited circumstances of this particular case. The Ninth Circuit also determined that the outcome of the case if retried would be inevitably the same as the outcome achieved by the District Court.

Background Facts

In 1988, 11 business entities were sued by Westinghouse. The three (3) corporate defendants which remain in this case are small, family owned, businesses which sell circuit breakers originally manufactured by Westinghouse and other manufacturers. GCB was formed in 1977 by respondent Xavier Contreras.[2] Contrary to the impression left by Westinghouse's Petition, none of the respondents remaining in this case including GCB, GMEW, PBS or

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[2] Xavier Contreras' late father, Charley Contreras, had been engaged in similar businesses since the mid-1950's, and Charley Contreras was a principal of General Magnetics/Electric Wholesale, also a defendant. Finally, defendant, Panelboard Specialties Wholesale Electric, Inc. was also formed by a son of Charley Contreras named Jaime Contreras. These principals and their companies are also respondents to Westinghouse's Petition for Writ of Certiorari.

their principals were ever charged with any criminal wrongdoing.[3] [4]

Westinghouse has been producing circuit breakers for decades. Periodically, it ceases production of certain styles or models. These obsolete models are generally no longer available from the original factories. When an obsolete breaker needs to be replaced in an existing electrical panel or installation, modern styles are not usually physically interchangeable.

If replacement obsolete breakers cannot be obtained, the entire electrical panel containing a number of circuit breakers must be replaced. Replacement of entire panels is more profitable for the manufacturer, but is understandably more expensive to the consumer. Respondents buy used and surplus breakers which they clean, test and recondition, if necessary, to supply the need for obsolete replacement breakers. These breakers have been proven to "perform effectively" and are safe. (See CR, Appendix A, p. 19a.) GCB provided, at the request of Westinghouse, product liability coverage by naming Westinghouse as a co-insured and submitting to Westinghouse evidence of insurance, but GCB has never had a claim filed against it.

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[3] However, Westinghouse was investigated and determined by the Nuclear Regulatory Commission to have knowingly sold reconditioned material to suppliers for nuclear power installations with false certifications that the reconditioned breakers were new.

[4] It should also be noted that although Charley Contreras, Xavier Contreras and Jaime Contreras are related, their respective businesses are independent competitors with one another.

Westinghouse was GCB's largest customer for reconditioned replacement breakers. GCB was an approved vendor to at least 170 Westinghouse locations for over ten (10) years. GCB sold to Westinghouse on at least 3,989 separate occasions resulting in approximately $1.4 million dollars in sales. At least 557 Westinghouse sales employees were involved in transactions with GCB. Westinghouse management informed its sales people about GCB as a source for obsolete breakers. Indeed, Westinghouse employees continued to buy from GCB even after Westinghouse sued GCB. Westinghouse employees testified that they were satisfied with the product they received from GCB.

GCB disclosed to its customers the nature and condition of the products it was selling. Many witnesses, including Westinghouse employees, testified that they assumed that obsolete breakers found in the marketplace, must be used or reconditioned. Westinghouse employees did not make a regular effort to disclose the reconditioned nature of the goods they purchased from GCB and resold to their customers. Indeed, Westinghouse knowingly purchased thousands of reconditioned breakers from GCB over a ten (10) year period but never labeled or provided disclosure information on the invoices sent to Westinghouse's customers.[5]

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[5] Westinghouse reconditioned and resold obsolete breakers from its Beckley, West Virginia, facility for many years prior to this lawsuit. Westinghouse also opened a "Special Operations Center" soon after this lawsuit was filed to recondition more breakers and to compete directly with GCB. Reconditioned, recalibrated or repaired breakers have long been accepted as an alternative to

GMEW, PBS and GCB are well known throughout the nation as sources for obsolete, used and reconditioned circuit breakers. Indeed, GCB advertised extensively using "line cards" which described the products GCB sold as new and used. These line cards were sent to every Westinghouse location by GCB. These line cards showed pictures of GCB's technicians reconditioning circuit breakers.

GCB's advertising also included booths at national industry trade shows beginning in the early 1980's. In fact, at one tradeshow, Westinghouse's booth was only six (6) booths away from GCB's booth. Not only did GCB display reconditioned and relabeled obsolete Westinghouse breakers at its booth, but also GCB employees described the nature of GCB's products to the Westinghouse representatives when they visited GCB's displays. As a part of GCB's booth, large photographs were displayed including one which depicted GCB's employees working on disassembled circuit breakers.

By advertising its products and services in convention media and trade publications as early as 1981, GCB received numerous inquiries from Westinghouse. Indeed, Westinghouse was advertising in the same media. GCB advertised itself as a dealer in used and rebuilt equipment in industry directories while Westinghouse is listed as a "manufacturer" in the same directories.

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replacing entire electrical systems.

As a part of the reconditioning process, GCB would replace illegible or faded labels with labels provided by Westinghouse employees or labels GCB had printed. When the original labels were in good shape, GCB left them on the breakers. A circuit breaker's label includes necessary electrical information such as voltage and amperage ratings and AIC numbers.

Despite these facts, Westinghouse sued GCB. After the four (4) month trial, the jury answered a verdict form. Both Westinghouse and GCB prepared briefs objecting to obvious inconsistencies in the verdicts and argued to the trial court a number of available options. **Westinghouse admonished the trial court to let the inconsistent verdicts stand or harmonize the verdicts as alternatives to remanding for a new four (4) month trial.** Westinghouse was willing to have the trial court "harmonize the verdicts" by exegesis if necessary as long as Westinghouse agreed with the result. (***See Gallick v. Baltimore & O.R. Co.***, 372 U.S. 108, 119, 9 L.Ed.2d 618, 83 S.Ct. 659 (1963).[6] Now, Westinghouse demands that legally and factually inconsistent verdicts be reinstated or that a new trial be held whose outcome is mandated by the undisputed verdicts.

The District Court, alerted by the inconsistent verdicts, examined the jury instructions and determined that the jury had been erroneously instructed by an instruction championed by Westinghouse. This

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[6] "Exegesis" - critical interpretation of a text or portion of scripture. Webster's Third New International Dictionary (Unabridged)(1986).

erroneous instruction was outcome determinative. The District Court was faced with another lengthy, expensive trial whose outcome was predetermined by the undisputed jury verdicts if the error could not be rendered harmless.

The District Court, as affirmed by the Ninth Circuit, in this rare circumstance was able to determine the implicit and logically singular, factual findings determined by the jury by comparing the jury instructions and the undisputed verdicts. The District Court rendered a new trial unnecessary by assuming the jury followed the instructions given to it. The District Court did identify the only possible logically consistent facts determined by the jury with the jury instructions as given.

REASONS FOR DENIAL OF WESTINGHOUSE'S PETITION AS TO ITS FIRST QUESTION

A. The Trademark Counterfeiting Act Only Creates New Remedies and Does Not Create a Cause of Action Independent from § 1114 Infringement Liability

Westinghouse's Petition states that the concern in enacting the Trademark Counterfeiting Act of 1984 was to remedy the "traditional ineffectiveness" of trademark remedies. (See Westinghouse Petition, p. 9.) As such, the Act provided for ex parte seizure orders and defined "counterfeit" for purposes of 15 U.S.C. § 1116 (injunctive relief) and § 1117 (treble damages). (See CR Appendix C.)

However, neither §§ 1116 or 1117 creates a cause of action independent from § 1114 (trademark infringement). **The essential element of a "counterfeiting" violation is the predicate finding of trademark infringement liability under 15 U.S.C. § 1114.** Only if no defenses are found to the predicate § 1114 infringement liability and the additional "counterfeiting" elements including intent are proved do the § 1117 remedies apply. (*See Babbit Elecs. v. Dynascan Corp.*, 38 F.3d 1161, 1181 (11th Cir. Fla. 1994.) (§ 1117 damages are granted after § 1114 liability is established and when no defenses have been proved and then only when additional elements including intent are found by the court.)

Further, Westinghouse's argument is inherently flawed in that specific intent is required to invoke § 1117 remedies. The jury was never instructed as to the correct intent element which requires a showing of intent to deceive and therefore the "counterfeiting" verdict as Westinghouse claims under § 1117 is unfounded and unsound and cannot be reinstated as it stands.

B. The Trial Court and the Ninth Circuit Determined that § 1114 Counterfeiting Liability Can be Established Without Duplication of the Mark

Westinghouse's contention here and in the Courts below is that "counterfeiting" under the damages provisions of 15 U.S.C. § 1117 is an independent cause of action which has only one element to which equitable defenses must apply: the physical duplication of a mark.

Westinghouse claims that general equitable defenses to § 1114 trademark infringement do not apply to claims which involve the remedies of § 1117. Presumably, under this rational, § 1114's "reproducing", "copying", or "colorably imitating" a mark are also each separate causes of action which require some unique defense, in addition to § 1114 defenses. This statutory interpretation inevitably leads to the anomalous result that, while knowing of the general use of its mark for an extended period of time, a plaintiff could be barred from a remedy because it knew of the use of a "copied" mark but not barred from a remedy because it did not know of the use of an "imitated" mark.

Westinghouse's argument ignores the foundation for trademark infringement liability under § 1114 which is the likelihood of confusion. § 1114 liability requires a use of a mark in such a way as to cause the likelihood of confusion and § 1114 is subject to all provable equitable defenses.

Westinghouse's argument acknowledges that it knew for many years that the respondents were using the Westinghouse mark on reconditioned goods in such a way as to confuse the public and did nothing about. Westinghouse does not dispute the jury findings that the respondents acted with Westinghouse's acquiescence and even active support, but asserts respondents should be liable for relabeling some reconditioned breakers with copied labels.

The Ninth Circuit considered this argument and rejected it saying that § 1114 liability for "counterfeiting" does not hinge upon the duplication of the mark, rather

liability is based upon the use of a trademark, be it original or reproduced, in a way that is likely to cause confusion. The Ninth Circuit cited cases from many Circuits in agreement with this proposition. By contrast, Westinghouse fails to cite even a single Circuit which disagrees. Indeed, the Ninth Circuit relied upon the same cases relied upon by Westinghouse for the proposition that duplication of the original mark was not an element of trademark infringement. *See Burger King Corp. v. Mason*, 710 F.2d 1480, 1491 (11th Cir. Fla. 1983); *General Electric Co. v. Speicher*, 877 F.2d 531, 534 (7th Cir. Ind. 1989); *Interstate Battery Sys., Inc. v. Wright*, 811 F.Supp.237, 244 (N.D.Tex. 1993); *Adolph Coors Co. v. A. Genderson & Sons, Inc.*, 486 F.Supp. 131, 135 (D.Colo 1980).

The Ninth Circuit states that the use of the mark is the operative wrong, not copying a mark, because goods which bear noncopied marks have been found to be infringing. Copying is not the operative ill sought to be addressed by the Lanham Act. Confusion is the operative ill addressed by the Lanham Act.

Just as likelihood of confusion was determined to be the keystone for liability, knowledge of and acquiescence to the use of the mark provide the keystones for some of the defendants' equitable defenses.

C. When Defenses Were Found to All § 1114 Claims, Then No Infringement Existed Upon Which to Grant Any Relief Including the "Counterfeiting" Relief Authorized by § 1117

Defendants proved their defenses to all trademark infringement claims as shown by the jury's findings to the Lanham Act, 15 U.S.C. § 1125 claims and the Cal. Bus. & Prof. Code § 17200 claims. (See CR Appendix A, p. 14a.) The defenses established to the 15 U.S.C. § 1125 unfair competition claims and the state Cal. Bus. & Prof. Code § 17200 unfair competition claims are not disputed by Westinghouse. These claims and defenses encompass all acts, including all trademark infringements, which engender a likelihood of confusion. Remarking on the District Court opinion, the Ninth Circuit stated:

> "The District Court observed that 'evidence [that the affirmative defenses applied to the unfair competition claim] also should have mandated the same result on the [trademark counterfeiting] claim, since [an unfair competition] claim completely subsumes a [trademark counterfeiting] claim.'"

(CR Appendix A, p. 7a.)

The defendants proved their defenses to all § 1114 claims as demonstrated by the all encompassing jury verdicts on the unfair competition claims. Given that "duplication of the mark" is not an element of a § 1114 claim, the defendants were found to have proved

their defenses to all trademark infringement claims. Upon retrial, the undisputed § 1125 verdicts would govern findings as to all § 1114 claims automatically proving GCB's defenses to any § 1114 claim.

D. Westinghouse Fails to Establish a Conflict Between the Ninth Circuit and the Eleventh Circuit

Westinghouse cites *Babbit Elecs. v. Dynascan Corp.*, 38 F.3d 1161 (11th Cir. Fla. 1994) for the proposition that the Eleventh Circuit recognizes a separate § 1117 "counterfeiting" claim. This case clearly does not establish a "counterfeiting" cause of action. In *Babbit*, the court's discussion only turned to "counterfeiting" remedies after § 1114 liability was established. The Eleventh Circuit stated:

> "In order for Dynascan to prevail on its counterfeiting claim **it must demonstrate that Babbit infringed a registered trademark in violation of 15 U.S.C. § 1114(1)(a)**, and it must prove that Babbit 'intentionally used a mark, knowing such mark is a counterfeit mark'. **This Court has determined that Babbit infringed registered marks in violation of 15 U.S.C. § 1114(1)(a)**." (Emphasis added)

Only after establishing liability to a § 1114 claim without defenses did the court in *Babbit* consider the § 1117 remedies for "counterfeiting".

Babbit is totally unlike the Westinghouse case in that respondents proved their defenses to all claims involving the likelihood of confusion including all § 1114 claims.

The Ninth Circuit acknowledged this by saying,

> ". . . The defendants escaped liability in this case only because they proved Westinghouse knew or should have known they were using the Westinghouse trademark."

(CR Appendix A, p. 14a.)

The Ninth Circuit never reached "counterfeiting" remedies because the respondents proved their defenses to the underlying § 1114 claims. This position is consistent with *Babbit* because the Eleventh Circuit reached the § 1117 remedies because § 1114 liability was established and no defenses were proved.

Westinghouse's Petition for Writ of Certiorari should be denied because the Ninth Circuit's decision is faithful to statutes and the precedents established by this Court and the other Circuits which have considered these issues. The intercircuit conflict

alleged by Westinghouse's Petition does not exist.

REASONS FOR DENIAL OF WESTINGHOUSE'S PETITION AS TO ITS SECOND QUESTION

A. The Ninth Circuit Found that an Error of Law Resulting in Inconsistent Verdicts Mandates a New Trial or Disrupting the Verdict Because the Court has a Duty to Apply the Correct Law

As the Ninth Circuit observed, "juries find the facts and judges determine the law." (CR Appendix A, p. 14a.)

> "To correct the instructional error, the district court examined the pattern of jury verdicts, determined the facts necessarily found by the jury in reaching those verdicts, **and applied the correct law** to those implicit factual findings. **This application led the district court to set aside the jury's verdict on the trademark infringement claim and enter judgment in favor of the defendants.**"

(CR Appendix A, p. 5a.)

An outcome determinative error had been made because one of the jury instructions was erroneous. (CR Appendix A, pp. 8a-9a.) Certainly the appellate court is allowed to review the legal standards applied by the jury in reaching its verdict. *See Elmer v. ICC Fabricating*, 67 F.3d 1571, 1574 (Fed Cir. 1995). The trial court is responsible to see that the jury is correctly instructed with the correct legal standards.

The trial court determined that the instructions given to the jury contained an error of law and that error did indeed affect the determination of the jury. This error was prejudicial and a new trial would be required unless the error could be rendered harmless. (See CR Appendix A, p. 9a.)

The Ninth Circuit, quoting this Court, stated in its opinion: "Justice Scalia explained that a flawed jury instruction is harmless if, despite the error, the court can determine that the jury necessarily found the elements . . . ." (CR Appendix A at p. 17a citing *Carrella v. California*, 491 U.S.268, 271, 109 S.Ct. 2419, 2423-24, 105 L.Ed.2d. 218 (1989) (Scalia, J., concurring); *see also California v. Roy*, 136 L.Ed. 2d 266, 117 S.Ct. 337, 65 U.S.L.W. 3338, 96 C.D.O.S. 8037 (1996) (Scalia, J., concurring) (noting that an instructional error is harmless where the jury verdict on other points effectively embraces the elements affected by the error). (CR Appendix A, p. 17a.) Faced with a new trial in which the outcome for the defendants would be mandated by the uncontested affirmative defenses, the trial court ascertained the facts determined by the jury as instructed on the

uncontested verdicts and applied the correct law to those facts as to the § 1114 claims. (CR Appendix A, p. 17a.)

B. Verdicts Should Not be Allowed to Stand When They are Based Upon Incorrect Law and the Facts Found by the Jury can be Ascertained and Correctly Applied

Westinghouse argues here as it did to the Ninth Circuit that the jury's mind is unknowable. However, as the Ninth Circuit notes, this argument is founded upon the basic assumption that it is impossible to draw logical inferences from the jury verdicts, and that juries do not follow instructions. (CR Appendix A, p. 18a.) This Court's precedent mandates that litigants assume that juries follow the instructions given to them. *See Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*, 472 U.S. 585, 604, 86 L.Ed.2d 467, 105 S.Ct. 2847, 2858, (1985); *see also Parker v. Randolph*, 442 U.S. 62, 75 n.7, 60 L.Ed.2d 713, 99 S.Ct.2132, 2141 n.7 (1979). (Justice White's dissent indicates "The 'rule'-indeed, the premise upon which the system of jury trials functions under the American judicial system - is that juries can be trusted to follow the trial court's instructions.") In this case, because the jury followed instructions, its "mind" is discernable from the results.

Here, the District Court and the Ninth Circuit found that it is possible under these limited circumstance to determine the facts necessarily found by the jury by examining the instructions given to them, assuming the jury followed the instructions, examining the result and determining the facts which

necessarily were found to achieve the result. (CR Appendix A, p. 18a.) By so doing, the District Court and the Ninth Circuit determined that the error in the law given to the jury could be rendered harmless.

C. The Jury's Fact Finding Role was Not Disturbed by the Trial Court's Ruling

The trial court, by reviewing the instructions given to the jury, was able to determine facts established by the jury. The Ninth Circuit traced the same path to conclude that

> "[T]he jury found facts when it found the defendants had established affirmative defenses to Westinghouse's unfair competition claim. Specifically, in accord with the correct portion of instruction 65, the jury determined that Westinghouse knew or should have known 'the defendants were selling used and reconditioned Westinghouse molded case circuit breakers without adequate disclosure of their condition.'"

(See CR Appendix A, p. 15a.)

This finding of fact is essential to a finding on the unfair competition claim. (See Westinghouse Petition, p. 12.) Because the law mandates the same defenses be applied to all § 1114 trademark counterfeiting claims, the trial court could correctly apply factual findings from the jury to the correct law.

D. The Inconsistency of the Verdicts is a Red Herring

Westinghouse devotes a paragraph and a footnote attempting to explain that the verdicts were not inconsistent and then several pages explaining why inconsistent verdicts should be allowed to stand. Clearly, the verdicts here were inconsistent in that a finding for the defendants as to all acts constituting unfair competition under both the Federal and State Statutes (15 U.S.C. § 1125 and Cal. Bus. & Prof. Code § 17200) clearly encompass all acts of trademark infringement under 15 U.S.C. § 1114. Both the District Court and Ninth Circuit acknowledge this conflict. (CR Appendix A, p. 7a.) However, given that the inconsistency was due to an error of law rather than an error of fact, the inconsistency was a flag to the Courts that there was a problem.

E. No Theory Proposed by Westinghouse Explains the Inconsistency of the Verdicts in Light of the Jury Instructions

Westinghouse argues here, as it did to the Ninth Circuit, that there are several explanations for the original verdicts which render them consistent. These arguments were rejected by the Ninth Circuit

and should be rejected here. (CR Appendix A, pp. 17a-18a.)

Westinghouse proposes that the jury could have determined that Westinghouse knew or should have known about the respondents' sale of reconditioned circuit breakers without disclosing their condition, but that Westinghouse did not know of the copying of its original labels which Westinghouse maintains is an independent wrong. This theory fails as a matter of law for the same reasons as discussed above. No independent cause of action arises from the copying of labels. A "counterfeiting" remedies question is never addressed until there is an undefended trademark infringement.

In this case the jury found defenses to all trademark infringements through their findings in connection with the § 1125 claims and the Cal. Bus.& Prof. Code § 17200 claims. Indeed, Westinghouse's own first hypothetical theory is internally inconsistent because it gives full defenses to the § 1114 claims so no "counterfeiting" liability can exist. Therefore, the copying of labels becomes irrelevant.

Westinghouse's second hypothetical theory is equally unavailing. The jury was strictly instructed that it could not find **any defenses** for the defendants if it found them guilty of bad faith or possessed of a wrongful intent. (See CR Appendix B, pp. 12b and 13b.) Since the jury found defenses to four (4) of Westinghouse's claims, it could not have found the defendants guilty of any bad faith or wrongful intent in any sense. (See CR Appendix B, pp. 12b-15b.)

Westinghouse appears to claim that it has a right to inconsistent verdicts **even if the verdicts are based upon errors of law**. As the District Court noted, "no such right exists." (CR Appendix B, p. 29b.) The United States Supreme Court has stated:

> "[W]here there is a view of the case that makes the jury's answers to special interrogatories consistent, they must be resolved that way . . . We therefor must attempt to reconcile the juries findings by exegesis if necessary. . . ."

Gallick v. Baltimore & O.R. Co., 372 U.S. 108, 119, 9 L.Ed.2d 618, 83 S.Ct. 659 (1963).

F. Westinghouse's Federal Rules of Civil Procedure Rule 50 Argument is Unavailable and Irrelevant

In a throwaway argument, Westinghouse fundamentally mischaracterizes the Courts' actions as a judgment as a matter of law. The District Court and the Ninth Circuit did not address this issue because it is irrelevant. It is well established that "a party who properly raises an issue of law before the case goes to the jury 'need not include the issue in a motion for a directed verdict in order to preserve the question on appeal.'" *Landes Constr. Co. v. Royal Bank of Canada*, 833 F.2d 1365, 1370 (9th Cir. 1987); *see also Jurgens v. McKasy*, 927 F.2d 1552, *cert. denied*, 502 U.S. 902, 116

L.Ed.2d. 232, 112 S.Ct. 281 (1991); 9 C. Wright and Miller, Federal Practice and Procedure, § 2540 at 617 (1971) (when the trial court denies a Rule 50 motion, both that denial "and errors of law in the trial may be raised on appeal".) *Ruyle v. Continental Oil Co.*, 44 F.3d 837, 841 (10th Cir. Okla. 1994), *cert. denied*, 133 L.Ed.2d 193, 116 S.Ct. 272, 64 U.S.L.W. 3248 (1995). In this case, respondents objected to the instructions and moved for directed verdicts.

Further, as discussed above, briefs objecting to the inconsistencies in the verdicts were submitted to the District Court. (CR Appendix B, p. 7b.)

The District Court eventually recognized an appealable error in the law submitted to the jury and exercised its inherent right and obligation to apply the correct law to render, if possible, the error harmless. This case cannot be argued as a Rule 50 problem, and even if it were, the outcome is in the respondents' favor.

CONCLUSION

There is no reason to grant Westinghouse's Petition for Writ of Certiorari because the Ninth Circuit's decision is limited in scope, consistent with precedent set by the United States Supreme Court, the decisions of other Circuits, the Federal Rules of Civil Procedure, and common sense. No new trial should be ordered to reach the inevitable result affirmed here. No other result comports with simple justice.

Dated: July 25, 1997.

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APPENDIX A

APPENDIX A

UNITED STATES CODE
TITLE 15. COMMERCE AND TRADE
CHAPTER 22 - TRADEMARKS

SUBCHAPTER III - GENERAL PROVISIONS

§ 1125. False designations of origin and false descriptions forbidden.

(a) Civil Action.

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which -

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic

origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

(2) As used in this subsection, the term "any person" includes any State, instrumentality of a State or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provision of this Act in the same manner and to the same extent as any nongovern-mental entity.

(b) Importation. Any goods marked or labeled in contravention of the provisions of this section shall not be imported into the United States or admitted to entry at any customhouse of the United States. The owner, importer, or consignee of goods refused entry at any customhouse under this section may have any recourse by protest or appeal that is given under the customs revenue laws or may have the remedy given by this Act in cases involving goods refused entry or seized.

(c) Remedies for dilution of famous marks.

(1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has

become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to -

(A) the degree of inherent or acquired distinctiveness of the mark;

(B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;

(C) the duration and extent of advertising and publicity of the mark;

(D) the geographical extent of the trading area in which the mark is used;

(E) the channels of trade for the goods or services with which the mark is used;

(F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;

(G) the nature and extent of use of the same or similar marks by third parties; and

(H) whether the mark was registered

under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(2) In an action brought under this subsection, the owner of the famous mark shall be entitled only to injunctive relief unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark. If such willful intent is proven, the owner of the famous mark shall also be entitled to the remedies set forth in sections 35(a) and 36, subject to the discretion of the court and the principles of equity.

(3) The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register shall be a complete bar to an action against that person, with respect to that mark, that is brought by another person under the common law or a statute of a State and that seeks to prevent dilution of the distinctiveness of a mark, label, or form of advertisement.

(4) The following shall not be actionable under this section:

(A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.

(B) Noncommercial use of a mark.

(C) All forms of news reporting and news commentary.

APPENDIX B

APPENDIX B

CALIFORNIA CODE
BUSINESS AND PROFESSIONS
SECTION 17200

§ 17200. Definition.

As used in this chapter, unfair competition shall mean and include any unlawful, unfair or fraudulent business act or practice and unfair, deceptive, untrue or misleading advertising and any act prohibited by Chapter 1 (commencing with Section 17500) of Part 3 of Division 7 of the Business and Professions Code.

Supreme Court, U.S.
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No. 97-2 (3)

IN THE
Supreme Court of the United States
OCTOBER TERM, 1997

WESTINGHOUSE ELECTRIC CORPORATION,
Petitioner,

vs.

GENERAL CIRCUIT BREAKER & ELECTRIC SUPPLY INC., et al.,
Respondents.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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20 pgs

QUESTIONS PRESENTED FOR REVIEW

1. May a plaintiff, who is aware of defendants' infringing use of its mark and unreasonably delays bringing suit to the detriment of defendant, escape the bar of laches based merely upon its unawareness that such infringing activity involved, on occasion, the use of a copied mark which might entitle it to enhanced monetary damages?

2. Under circumstances where an erroneous jury instruction results in a miscarriage of justice and the result of a retrial of the affected issue would be dictated, under principles of issue preclusion, by a jury determination unaffected by the erroneous instruction, is it error for the district court to enter judgment based upon the unaffected jury determination instead of ordering a new trial?

RULE 29.6 LISTING

Pencon International, Inc. doing business as General Magnetics/Electric Wholesale submits that it has no parent companies, subsidiaries or affiliates.

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BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

STATEMENT OF THE CASE

A. Background

Westinghouse is a major manufacturer and seller of molded case circuit breakers. Each breaker has a label bearing the Westinghouse trademark and listing information about the breaker's electrical characteristics. Defendants recondition and resell used Westinghouse circuit breakers. Sometimes reconditioning requires minimum effort. At other times, defendants must replace certain components with Westinghouse parts. Before 1988, defendants often replaced faded or otherwise illegible paper labels, but if the original labels were in good shape, defendants left them on the breakers. Petitioner's Appendix B, pp.2-3.

The labels on the reconditioned breakers contained the same information as the original Westinghouse labels, including the Westinghouse trademark. Petitioner's Appendix B, p.3.

Replacing worn labels was not an effort to deceive, but a necessary part of reconditioning. As conceded by Westinghouse, its labels do more than identify Westinghouse as the manufacturer--they provide critical information regarding the breaker's electrical characteristics. Various electrical codes and standards require breakers to bear such information. Petitioner's

Appendix B, p.5.

Defendants did not add a notation to any of their breakers indicating that the breakers were reconditioned. Petitioner's Appendix B, p.3. They did not do so because they were well known in the market as reconditioners of obsolete circuit breakers. Petitioner's Appendix B, p.3, 4.

Westinghouse was the largest customer of the defendants and resold defendants' reconditioned circuit breakers without labeling them "reconditioned". Petitioner's Appendix B, p.3.

B. The Pleadings

In 1988, Westinghouse filed suit setting forth claims of trademark infringement under 15 U.S.C. section 1114, trademark infringement under 15 U.S.C. section 1125, trademark dilution under California Business & Professions Code section 14330, and unfair competition under the common law and California Business & Professions Code section 17200. Contrary to the repeated assertions of Westinghouse in its petition to this Court, the complaint did *not* set forth any separate count or cause of action based upon counterfeiting under 15 U.S.C. section 1117. Instead, as part of its cause of action for trademark infringement under section 1114, Westinghouse alleged it was entitled to remedies of treble damages and attorneys fees under section 1117 because the 1114 infringement involved counterfeiting. Supplemental Excerpts of Record of Appellees and Cross-Appellants Pencon International, Inc., General

Magnetics/Electric Wholesale and Estate of Charley Contreras, pp. 1-15.

The essence of all the causes of action was that Westinghouse circuit breakers were being resold without disclosure that the breakers were reconditioned.

Defendants did not deny selling reconditioned breakers with the Westinghouse mark and failing to label them as reconditioned. However, defendants maintained that they had not intended to deceive anyone, and that Westinghouse knew, or certainly should have known, that defendants were selling reconditioned breakers bearing the Westinghouse mark. Defendants asserted affirmative defenses, including laches, equitable estoppel, acquiescence, and unclean hands. Petitioner's Appendix B, p.3.

C. The Trial--The Instructions And The Verdict

At trial, the jury was instructed that all of Westinghouse's claims dealt with the use of trademarks. Final Supplemental Excerpts of Record of Appellees and Cross-Appellants Pencon International, Inc., General Magnetics/Electric Wholesale and Estate of Charley Contreras (hereafter "GMEW Final Supplemental Excepts of Record"), p.2. The jury was also instructed that both the section 1114 and 1125 claims "arise from defendants' use of plaintiff's trademarks." GMEW Final Supplemental Excerpts of Record, p.3.

The jury was repeatedly charged in instructions that Westinghouse was maintaining a claim brought under section 1114, not under section 1117. GMEW Final Supplemental Excerpts of Record, pp.3, 6-7. The jury was charged that "[u]nder Section 1114, the plaintiff has the burden of proving the following elements ... the defendant used a reproduction, counterfeit, copy, or colorable imitation of the plaintiff's trademarks, ... without plaintiff's consent ... in connection with the sale ... of goods ... in commerce; and ... such use is likely to cause confusion ...". GMEW Final Supplemental Excerpts of Record, p.5.

At no time was section 1117 mentioned in the jury instructions. While the jury answered a special verdict that defendants intentionally used Westinghouse's mark knowing that it was a counterfeit, no guidance was provided by way of jury instruction to assist the jury in answering the special verdict. The jury was not instructed that if defendants believed in good faith that use of the copied mark did not infringe Westinghouse's mark, they could not be said to "know" that the mark was counterfeit. The jury was simply instructed that defendants admitted application of copies of plaintiff's mark to breakers and, if done without Westinghouse's authorization, the copies are counterfeits. GMEW Final Supplemental Excerpts of Record, p.6.

The special verdict inquired if Westinghouse had proved its case under section 1114, not 1117. Excerpts of Record, pp.476, 479, 482, 485.

Westinghouse's Petition asserts that its section 1125 claim, as tried to the jury, was "directed at defendants' practice of selling used and reconditioned circuit breakers, bearing *original* Westinghouse labels, without disclosing the fact that the breakers were not new." Petition, p.12; emphasis added. In fact, the section 1125 claim was not so limited to sales of breakers bearing the original mark. Indeed, the section 1125 claim encompassed *any* infringing use of plaintiff's mark.

The jury was instructed that in order to prevail on its claim under section 1125, Westinghouse was "not required to prove defendants used copies, reproductions, colorable imitations or counterfeits of the Westinghouse trademarks. Instead, *this claim is based on any use by the defendants of the Westinghouse trademarks* in connection with the sale of used or reconditioned circuit breakers." GMEW Final Supplemental Excerpts of Record, p.15-16; emphasis added. As such, the section 1125 claim, like the section 1114 claim, encompassed any trademark infringement involving the use of copied marks.

The jury answered the special verdicts finding that Westinghouse had proved it claims under sections 1114 and 1125. Having so found, as required by the jury instructions, the special verdict on plaintiff's claim under the California Business & Professions Code was in favor of plaintiff. The jury found against Westinghouse on its common law unfair competition claim as well as under

its trademark dilution claim. Excerpts of Record, pp. 476-487.

On the affirmative defenses, the jury found for the defendants on each affirmative defense to the section 1125 claim and every other claim, save the claim under 1114. Ibid.

D. The Erroneous Jury Instruction And The District Court's Use Of The Untainted, Jury Verdict In Awarding Judgment

As Westinghouse acknowledges, the essence of both the section 1114 and 1125 claims was the use of the Westinghouse mark on breakers without disclosure that the breakers weren't new. Petition, p.12. As the section 1125 claim subsumed the section 1114 claim, the trial court was perplexed by the jury's verdict in favor of defendants on the affirmative defenses to the section 1125 claim, but not on the section 1114 claim-- the evidence establishing defenses to the 1125 claim should also establish the same defenses to the 1114 claim. Petitioner's Appendix B, p.6.

The trial court recognized that the jury verdict for the defendants on the defenses to the section 1125 claim could only be based upon a jury finding that defendants did not intend to deceive or confuse because the jury was instructed that if defendants intended to deceive or confuse, none of its affirmative defenses could be established. Petitioner's Appendix B, pp. 12-13.

The only explanation for the inconsistency in the special verdicts on the affirmative defenses to sections 1114 and 1125 was jury instruction #65. It required defendants to show that Westinghouse knew, or should have known, that defendants were duplicating the Westinghouse trademark, rather than merely using the original Westinghouse mark, in order to prove their affirmative defenses to section 1114. Petitioner's Appendix B, p.9.

The trial court recognized the erroneous nature of jury instruction #65. Under established case authority, section 1114 trademark liability is not dependent upon use of a copy or counterfeit of the mark. Liability may be established whether the original mark or a copy is used. Petitioner's Appendix B, pp. 20-26

So long as Westinghouse knew, or should have known, of defendants' infringing use of its mark, the affirmative defenses were established. It made no difference whether Westinghouse knew the infringement was through use of the original mark or a copy. Petitioner's Appendix B, p. 19.

Under the circumstances, there was no need for a new trial on the section 1114 claim. The jury's verdict for defendants on their affirmative defenses to the section 1125 claim necessarily determined that Westinghouse knew or should have known of defendants' infringing use of its marks on breakers and that defendants had intended no deception or confusion. Judgment was entered for defendants. Petitioner's Appendix B, pp.30-31.

E. The Appellate Decision

On appeal, the Ninth Circuit affirmed the trial court judgment. Petitioner's Appendix A. In so doing, the appellate court concurred that the propriety of jury instruction #65 was the fulcrum of the case and that so long as defendants proved that Westinghouse knew, or should have known, of defendants' infringing use of its mark, they need not also prove Westinghouse knew that the infringing use was by means of a copy or counterfeit. Petitioner's Appendix A, pp.10-14.

Additionally, the appellate court found the district court's remedy for the erroneous jury instruction entirely appropriate under the circumstances. The district court's actions were found directly analogous to the ordinary application of issue preclusion. The untainted jury determination of the applicability of the affirmative defenses to the section 1125 claim compelled the same result on the section 1114 claim. Petitioner's Appendix A, pp.14-18.

REASONS FOR DENYING THE WRIT

The decision of the United States Court of Appeals below was a plainly correct application of settled law and is not in conflict with the decision of any other United States court of appeals on the same matter.

1. Stripped of window-dressing, Westinghouse advances the remarkable proposition, wholly unsupported by any authority, that while Westinghouse may have

unreasonably slept on its rights after knowledge of defendants' alleged infringing activities so as to bar recovery for trademark infringement under 15 U.S.C. section 1114 [Lanham Act section 32] or under 15 U.S.C. section 1125 [Lanham Act section 43], nonetheless, Westinghouse may still prevail on a "trademark counterfeiting claim" under 15 U.S.C. section 1117 [Lanham Act section 35] because, though aware of infringement, Westinghouse was unaware that the infringement sometimes included the use of counterfeit or copied labels.

Thus, if Westinghouse knew of an infringing use of its mark on every single reconditioned breaker ever sold by defendants and unreasonably slept on its rights to the detriment of defendants, Westinghouse argues that it is not barred by laches. The very statement of the proposition argues against its acceptance.

Westinghouse's argument is fatally flawed for several reasons. First, Westinghouse fails to distinguish between a "claim" and a "remedy". Section 1117 merely provides monetary relief as remedies for a violation of section 1114. Among the remedies so provided are the enhanced remedies of treble damages and attorney's fees when trademark infringement, found under section 1114, is accomplished by culpable counterfeiting. 15 U.S.C. section 1117 (b). By the terms of section 1117, its enhanced remedies depend upon the establishment of a violation of section 1114. Ibid.; *Babbit Electronics, Inc. v. Dynascan Corporation*, 38 F.3d 1161, 1181 (11th Cir. 1994). Where, as conceded by Westinghouse, defenses to trademark infringement under section 1114 exist, the

defenses have destroyed the very foundation for remedies provided by section 1117. As a remedial measure, section 1117 cannot lift itself by its bootstraps and resurrect a section 1114 claim barred by laches.

Secondly, the public purpose served by the affirmative defenses, including laches, requires rejection of Westinghouse's thesis. Westinghouse's knowledge of defendants' infringing use of its mark is all Westinghouse needed to know in order to take action to protect its mark and seek redress for its misuse under either section 1114 or 1125. As recognized in scores of decisions cited in the opinions of the district and appellate courts in this matter, if defendants sold circuit breakers bearing the Westinghouse trademark without disclosure that the breakers were reconditioned, Westinghouse could sue under section 1114 for trademark infringement regardless of whether the labels on the breakers were originals or copies. See cases collected in *In re Circuit Breaker Litigation*, 852 F. Supp. 883, 894 (C.D.Cal. 1994); *Westinghouse Electric Corporation v. General Circuit Breaker & Supply, Inc.*, 106 F.3d 894, 900 (9th Cir. 1997).

Westinghouse unreasonably delayed such action and was found barred by laches. Laches is an equitable defense closely analogous in purpose to the statute of limitations and is embodied in the concept that equity aids the vigilant, not those who slumber on their rights. 4 McCarthy On Trademarks And Unfair Competition, (4th ed. 1997), section 31:1, p.31-8.

There is no justification for Westinghouse, despite knowledge of infringement, sleeping on its rights because Westinghouse didn't know that the infringement included use of copied labels. Plaintiff's knowledge of facts necessary to treble plaintiff's damages is simply not a pertinent matter for consideration in determining whether plaintiff has slept on its rights. See *Louisiana-Pacific Corporation v. Asario, Inc.*, 24 F.3d 1565, 1580-1581 (9th Cir. 1994); *United States v. Gavilan Joint Community College Dist.*, 849 F.2d 1246, 1249-1250 (9th Cir 1988) [accrual of action not dependent upon knowledge of exact amount of damage where essence of injury known].

Westinghouse's arguments are frivolous and akin to a prosecutor contending that, despite a verdict that the defendant is innocent by reason of insanity, the death penalty is warranted due to the special circumstance of lying in wait. Similarly, a plaintiff, run over in a cross-walk, would contend that the personal injury action against the negligent driver was not barred by the statute of limitations because plaintiff didn't learn until after the limitations period had run that the driver was intoxicated --a circumstance giving rise to a possible award of punitive damages.

Westinghouse has not, and cannot, cite any conflicting decision of another United States court of appeals suggesting that a claim, otherwise barred by laches, can be salvaged because of delayed discovery of facts relating the extent of damages. Knowing of defendants' allegedly infringing use of its mark on reconditioned circuit breakers without disclosure that the breakers were reconditioned is all Westinghouse needed

to know to bring suit under either section 1114 or section 1125 to recover monetary remedies provided by section 1117. If Westinghouse had been diligent in protecting its rights and filed suit, Westinghouse could have learned through discovery facts relating to the extent of its permissible recovery under section 1117.

Instead, Westinghouse, continued to profit from its sales of defendants' reconditioned breakers while defendants expended time and money expanding their capability to satisfy demand for obsolete circuit breakers which Westinghouse could not satisfy due to its program of planned obsolescence. The jury properly concluded Westinghouse's section 1125 claim was barred by affirmative defenses. The District Court and Circuit Court of Appeals, based upon settled law, correctly determined that jury instruction # 65 placed an inappropriate burden of proof upon defendants with respect to their affirmative defenses to the section 1114 claim.

Based upon the above, this Court's review of the first question presented by Westinghouse's Petition is warranted.

2. Westinghouse contends that even if the jury verdicts on the affirmative defenses to the section 1114 and 1125 claims were inconsistent, the jury verdict on the section 1114 claim should not have been disturbed because the verdict was supported by substantial evidence and inconsistent verdicts are acceptable. The argument misses the mark for several reasons.

First, due to the obviously prejudicial nature of the erroneous jury instruction # 65 on defendants' burden of proof, regardless of any inconsistency between the verdicts on the two claims, the jury verdict on the section 1114 claim was doomed, whether it be by the District Court ordering, on its own, a new trial or by reversal upon appeal. The real issue confronting the District Court and Circuit Court of Appeal below was whether, given the erroneous instruction and the issues necessarily decided as part of jury's verdict in favor of defendants on their affirmative defenses to the section 1125 claim, any need for a retrial of the section 1114 claim existed.

Additionally, regardless of whether or not the jury's verdict was supported by substantial evidence, the fact remains that had the jury been correctly instructed, a favorable verdict for defendants was probable on the section 1114 claim. Indeed, the conclusion of the District Court and Circuit Court of Appeals below was that a favorable verdict was not only probable, but certain. As such, plaintiff's verdict on the section 1114 claim could not stand where afflicted with reversible error in jury instructions.

Westinghouse has not, and cannot, cite any authority that courts have an obligation to uphold jury verdicts which are tainted by prejudicial error in jury instructions. Indeed, the district court had the power to *sua sponte* order a new trial. Fed.R.Civ.P. 59 (d). Moreover, Westinghouse has not presented to this Court any question for review regarding the propriety of entering judgment, rather than ordering a new trial, on the section 1114 claim due to issue preclusion arising from

the jury's verdict on the defenses to the section 1125 claim. For such reasons, review of the second question presented by Westinghouse's Petition is not warranted.

CONCLUSION

This case does not merit further review by this Court. For the reasons set forth above, Westinghouse's Petition should be denied.

Dated: July 25, 1997.

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Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

OPPOSITION OF RESPONDENTS, PANELBOARD SPECIALTIES WHOLESALE ELECTRIC, INC., AND JAIME A. CONTRERAS, TO PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED FOR REVIEW

First Question Presented For Review:

Whether the opinion of the Court of Appeals for the Ninth Circuit conflicts with the decision of the Court of Appeals for the Eleventh Circuit in *Babbit v. Dynascan*.

Second Question Presented For Review:

Whether the remedies for trademark counterfeiting require, as a precondition, establishment of trade infringement pursuant to 15 U.S.C. § 1114.

Third Question Presented for Review:

Whether the correction by the United States District Court of an erroneous jury instruction by order rather than new trial was justified by principles of issue preclusion.

PARTIES TO THE PROCEEDINGS

Petitioner, Westinghouse Electric Corporation, is a publicly traded corporation, that has numerous non-wholly owned subsidiaries. A list of these non-wholly owned subsidiaries appears in the Rule 29.6 Listing in Westinghouse's Petition for Writ of Certiorari.

Respondents are General Circuit Breaker & Electric Supply, Inc., Pencon International, Inc., dba General Magnetics/Electric Wholesale, Panelboard Specialties Wholesale Electric, Inc., Xavier Contreras, the Estate of Charley Contreras, and Jaime A. Contreras.

AC Circuit Breaker-Electric Supply, Inc. and Joe A. Contreras, both of whom were defendants in the district court, were parties to the proceedings at the Court of Appeals when the appeal was docketed, but settled with Westinghouse prior to the resolution of the appeal, and were not parties to this litigation at the time of the Ninth Circuit judgment.

RULE 29.6 LISTING

None.

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OPPOSITION OF RESPONDENTS, PANELBOARD SPECIALTIES WHOLESALE ELECTRIC, INC., AND JAIME A. CONTRERAS, TO PETITION FOR WRIT OF CERTIORARI

Respondents, Panelboard Specialties Wholesale Electric, Inc., and Jaime A. Contreras, respectfully request this Court deny Petitioner Westinghouse Electric Corporation's petition for issuance of a writ of certiorari to review the judgment of the United States Court of Appeals for the Ninth Circuit in this case.

OPINIONS BELOW

The opinion of the Court of Appeals (App. A, *Petition for Writ*) is reported at 106 F.3d 894. The Order of the Court of Appeals denying the petition for rehearing with suggestion for rehearing en banc appears at the end of the published opinion (App. A, *Petition for Writ*). The opinion of the District Court correcting instructional error on Westinghouse's trademark counterfeiting claim and ordering entry of judgment in favor of respondents (App. B, *Petition for Writ*) is reported at 852 F.Supp. 883.

JURISDICTION

Respondent does not contest the jurisdiction of this Court.

STATUTORY PROVISIONS INVOLVED

The applicable provisions of the Lanham Act, as amended by the Trademark Counterfeiting Act of 1984, are 15 U.S.C. §§ 1114, 1116 and 1117. These provisions, as amended, are reprinted in their entirety in Appendix C of the Petition for Writ of Certiorari.

STATEMENT OF THE CASE

The matter on which Westinghouse Electric Company (hereafter "Petitioner") seeks this court's attention is an example of what the combined efforts of some of the largest corporations in the world can accomplish to destroy the business of their infinitely smaller competitors. In June 1988, Square D Company (hereafter "Square D") brought an action against a group of small reconditioners of molded case circuit breakers claiming trademark infringement and unfair competition. This action was based on the actions of former defendants who had made intentional misrepresentations to nuclear power plants as to the condition of reconditioned circuit breakers they were selling. Instead of limiting Square D's action to the parties who had performed these illegal acts, Square D determined that it would commence legal proceedings against a whole group of small west coast reconditioners of circuit breakers. Some of these small business defendants determined that regardless of the merits of their defenses, settlement would promote continued business relationships with Square D distributors and allow them to continue their business operations. Square D's

counsel negotiated these settlements and then immediately turned around and served additional lawsuits on the settling defendants on behalf of Petitioner, General Electric Company, and Underwriters Laboratories, Inc. The four plaintiffs additionally brought legal proceedings in Nov. 1988 against other small reconditioners located in the Southern California area, including these respondents, Panelboard Specialties Wholesale Electric, Inc. and Jaime A. Contreras (hereafter "PBS"). Utilizing the same law firm and alleging the same facts, these mega firms set their sights not on the party making false representations, but on the largest and most visible segment of the reconditioning industry, the Contreras family of Southern California.

The replacement circuit breaker industry, including molded case circuit breakers, was pioneered by two brothers: Charley and Art Contreras. Recognizing a market opportunity created by the manufacturers' efforts at planned obsolescence, the Contreras brothers developed a business that filled the consumer's need for replacement of older circuit breakers.

Circuit breakers were generally manufactured to fit into some sort of electrical enclosure such as a panelboard or switchboard. As the manufacturers of molded case circuit breakers made changes to their products, they changed not only the electrical characteristics but also the physical configuration of the molded case circuit breakers. Over time, the installed base of electrical equipment begins to deteriorate, requiring replacement of older circuit breakers. Where building owner's attempt to upgrade or expand existing electrical equipment, replacement or addition of older styles of circuit breakers is

necessary. Because of substantially lower or eliminated production of older circuit breakers, such replacement is difficult or perhaps even impossible.

It was in this growing market that the Contreras brothers made their mark. The Contreras obtained new and used surplus circuit breakers from building construction sites, unused distributor over inventory, inventory liquidations, government auctions of new and used surplus, demolition sites and their extensive network of contacts within the circuit breaker manufacturing and distributing industry.[1] Large inventories of new and used molded case circuit breakers were obtained and warehoused for future sale.

The initial business established by Charley and Art Contreras was founded in 1957 and was known as Industrial Marine. As a family business, their sons were raised working in the business sweeping floors, storing circuit breakers, dusting circuit breakers and, as they grew older, learning to recondition and finally to sell new and reconditioned circuit breakers. In 1975, the brothers dissolved their business, and Charley started General Magnetics Electric Wholesale later incorporated as Pencon International (hereafter "GMEW"). Charley's sons, including Jaime and Xavier, worked for Industrial Marine, later for GMEW, and then eventually formed their own companies, PBS and General Circuit Breaker and Electric Supply, Inc. (hereafter "GCB"), respectively. These two sons, and other family members who established their

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[1] Primarily Westinghouse, General Electric, Square D Company and their wholly owned or authorized distributors.

own businesses, continued the family tradition of obtaining stocks of new and used surplus circuit breakers and reselling them, often after reconditioning them.

Prior to the commencement of this litigation, PBS was a prospering and fast-growing small business. After Jaime left the employ of his parents and with significant experience in the reconditioning industry and as an electrician and electrical maintenance professional, Jaime and his wife established their business in 1984. PBS experienced rapid growth both in inventory and business until becoming the subject of this lawsuit and the surrounding negative publicity campaign created by the combined plaintiffs, including Petitioner.

PBS's operations were based on Jaime's vast experience. Over the course of many years of working with circuit breakers, Jaime Contreras is familiar with not only circuit breakers of all models and manufacturers, but also the variations within models of circuit breakers. He personally trained and supervised the reconditioning and sales activities at PBS. Based upon extensive experience, experimentation, and reconditioning of molded case circuit breakers, PBS determined that the product sold by Petitioner and its co-plaintiffs and certified by plaintiff, Underwriters Laboratories, Inc., is frequently improperly manufactured both in the assembly process and through use of improper or faulty parts.

PBS's business consisted of supplying the customer's need for replacement for older circuit breakers, including by reconditioning where a circuit breaker was determined to require reconditioning either as a result of faulty manufacturing or as a result of the condition of the

breaker, PBS would clean and inspect the circuit breaker, replace faulty, missing or worn parts, as required, with new or salvaged parts, and lubricate and test the reconditioned circuit breakers. Where necessary, PBS would recalibrate the breakers thermal function.

Most circuit breakers are designed with interchangeable calibration. Amperage calibration is appropriate within limits. It is experience and knowledge of circuit breakers that allows proper changes to be made where a circuit breaker was manufactured with adjustable amperage ratings or several voltage ratings. PBS would, on rare occasions, recalibrate and re-rate a circuit breaker within the manufacturer's published tolerances.

PBS also filled the customer's need for usable replacements for older circuit breakers by properly labelling the circuit breakers. Where a circuit breaker, regardless of its condition, had destroyed or illegible labels replacements were made from photocopies of original labels to provide the customer with important information contained on the labels such as manufacturer, model, rating information and application information. These labels were placed on the circuit breakers only for the purpose of providing information important for the use and identification of the circuit breakers. Where a circuit breaker was reconditioned and the original labels were in a condition to leave on the circuit breaker or original labels included in the label configuration a UL label, such labels remained on the reconditioned circuit breakers.[2]

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[2] The UL mark means only that at the time the product left the original manufacturing facility the original circuit breaker

PBS's customers, to whom it sold both reconditioned and new circuit breakers, were sophisticated purchasers of electrical equipment. Purchasers were primarily electricians, electrical maintenance professionals and electrical distribution sales professionals, including employees and authorized distributors of each of the plaintiffs, including Petitioner. These sophisticated customers contacted PBS because they were unable, either altogether or within their time requirement, to obtain the hard to find and obsolete equipment sold by PBS. Customers frequently learned of PBS from employees of Petitioner who recommended PBS for hard to find equipment both before and after this lawsuit was filed.

PBS customers were aware of the condition of the circuit breakers that PBS was selling. Initial telephone customers were generally directed to Jaime Contreras himself. Jaime would explain who PBS was and the types of products it sold. Jaime also determined personally the persons and firms with which he was doing business were sufficiently knowledgeable with application or sale of circuit breakers to prevent sale to someone who would misinstall a breaker because of lack of basic understanding. Second, PBS notified its customers and potential customers on all advertising materials that it sold reconditioned circuit breakers. These advertising materials included line cards, flyers, business cards, invoices, signs, promotional pens, coffee cups and caps. All indicated that PBS sold reconditioned circuit breakers.

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design was tested to meet UL standards and the representative samples of the circuit breakers were tested to confirm compliance of the samples with UL standards.

Most importantly, PBS employees and customers testified that PBS disclosed the condition of the circuit breakers verbally when sales were made. Despite the most herculean efforts, Petitioner was unable at trial to show even a single instance where PBS failed to disclose the condition of a reconditioned circuit breaker it sold.

In the initial trial the jury concluded that PBS acted in good faith and without the intent to deceive or cause confusion. (Westinghouse brief 12b.) Petitioner's efforts to cast aspersions on the actions of PBS and cast its business as evil and illegal cannot overcome this finding.

Despite Petitioner's reference to Square D's ex parte seizures, no seizure order was ever obtained with regard to PBS. In fact the request by Petitioner and its co-plaintiffs for such an order was denied. Square D's seizure, executed as against one defendant, is the subject of a pending wrongful seizure claim. Settlement of claims against other defendants included return of the inventory seized because it was neither counterfeit or infringing.

Petitioner makes veiled reference to criminal actions as against the defendants. Petitioner fails to clarify that Petitioner, its co-plaintiffs, and attorneys were the driving force behind the criminal investigations. Of the three resulting indictments, none were as to the defendants before this court. One conviction was the result of guilty pleas of the defendants who were originally discovered to have made affirmative false representations as to the condition of the circuit breakers they sold. One former defendant was indicted on 58 criminal counts relating to its sale of reconditioned circuit breakers. Following trial by jury in which the U.S. attorney was actively assisted

by counsel for Petitioner, the former defendant was found innocent of all 58 counts. One other former defendant who had seen the financial ruin experienced by his brother in obtaining an innocent verdict, chose to accept a plea agreement, including a guilty plea, in exchange for a small fine paid $10 per month and a few weekends at home, less than a slap on the wrist.

Petitioner also fails to note that the criminal investigations which it and its co-plaintiffs initiated resulted in a determination that Petitioner had knowingly and falsely represented the condition of reconditioned molded case circuit breakers to a nuclear power facility. This evidence, relied upon in part by the jury in determining that Westinghouse was guilty of unclean hands in the District Court, for some unexplained reason was not the subject of criminal indictments against the Petitioner who helped orchestrate the investigations.

PBS denied the claims of Petitioner and further asserted statutory equitable affirmative defenses. Following a lengthy trial, the jury was instructed and received a verdict form. After three and one-half days of deliberation, the jury requested clarification of the jury instructions. The District Court declined the jury's request. The jury returned its first verdict form. This form was hopelessly inconsistent and was amended the following day by the jury. Even with amendments, the District Court was perplexed by the inconsistency between the evidence presented and the conclusions set forth on the jury verdict forms. Following objection by the defendants, briefing and oral argument, the District Court issued its opinion. The Ninth Circuit having affirmed the District Court's judgment, Petitioner seeks Writ of Certiorari.

REASONS FOR DENIAL OF WESTINGHOUSE'S PETITION AS TO ITS FIRST QUESTION

THE OPINION OF THE COURT OF APPEALS FOR THE NINTH CIRCUIT DOES NOT CONFLICT WITH THE DECISION OF THE COURT OF APPEALS FOR THE ELEVENTH CIRCUIT IN *BABBIT V. DYNASCAN*.

In support of their petition, Petitioner points to the opinion of the Eleventh Circuit in *Babbit Elec., Inc. v. Dynascan Corp.*, 38 F.3d 1161 (11th Cir. 1994) and asserts that a conflict exists between the *Babbit* court and the Ninth Circuit opinion. In fact, no such conflict exists. Both the Ninth and Eleventh Circuits apply the Lanham Act and the Trademark Counterfeiting Act amendments thereto in the same manner and using the same analytical process. The differences in outcome are a result of the application of the statutory framework to the facts of each case rather than a conflict in law.

In *Babbit*, Dynascan and Babbit entered into an agreement authorizing Babbit to sell certain models of cordless telephones in Latin America under Dynascan's Cobra trademark. (*Id.* at p. 1173.) Babbit was required to pay a royalty for use of the mark. (*Id.* at p. 1174.) Though from time to time the model of telephone on which the mark was placed changed, Dynascan would inspect any new model prior to use of the mark on that model. (*Id.* at p. 1174.) Without permission or knowledge of Dynascan, Babbit ordered over 14,000 telephones of a different model. Dynascan placed Cobra labels on the telephones and did not pay royalties for use of the mark. Babbit, together with the manufacturer of the unapproved telephone, arranged for the placement of the unauthorized labels on the unapproved telephones from their Florida

offices. The court found that Babbit and its co-defendants intentionally used the Cobra trademark on telephones that were not and had never been authorized by Dynascan. (*Id.* at p. 1176.) "Babbit intended to improve sales of MCE telephones [the unapproved model] by relabeling them with Cobra labels because Babbit was having difficulty selling MCE telephones. (*Id.* at p. 1179.)

The court concluded from the facts that Babbit's use of the trademark without authorization was "likely to cause confusion, mistake or to deceive customers into believing that the SA-660s cordless telephones are licensed, authorized, sponsored or approved by Dynascan. In addition, B SA-660s cordless telephones are likely to cause consumers to confuse the Cobra SA-660s, an unapproved or unauthorized product, with the Cobra SA-620s, an approved product and authorized product." (*Id.* at p. 1176.) The court determined that through its breach of the licensing contract Babbit had intentionally infringed the trademark rights of Dynascan. (*Id.* at p. 1179.) Babbit unsuccessfully disputed the findings with regard to likelihood of confusion and contested jurisdictional authority to hear Dynascan's claims.

Babbit also raised the affirmative defense of abandonment. Other counterfeiters were selling into the same market without legal action by Dynascan. The court found this affirmative defense to be without merit.

Having determined that Babbit was liable for trademark infringement pursuant to 15 U.S.C. 1114, the court considered the issue of counterfeiting. With a foundation of trademark infringement as a pre-condition, the court turned to the issue of whether Babbit "intentionally used

a mark, knowing such mark is a counterfeit mark." 15 U.S.C. at 1117(b).

Because Babbit had entered into an agreement that provided for the proper use and application of the trademark and because Babbit knew that the right to apply the trademark did not extend to any products which were obtained outside of the agreement between Babbit and Dynascan, the court concluded that Babbit had knowledge that the telephones to which it affixed Dynascan's marks were not Dynascan's telephones. Consequently, it was clear that Babbit used Dynascan's trademarks knowing that they were counterfeit. (*Id.* at 1181.)

The Ninth Circuit's analysis followed exactly the same process as *Babbit*. Though the Ninth Circuit focused on issues relating to the affirmative defenses, its analysis assumed the foundation of likelihood of confusion and violation of 15 U.S.C. 1114. The court stated "Westinghouse did establish its claim for trademark infringement based on the defendants' conduct in selling reconditioned breakers bearing the Westinghouse trademark." Petition for Writ 14a.[3]

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[3] PBS contends that this finding was based on erroneous jury instructions from which it could not appeal because of the favorable result. While PBS does not wish to contest a judgment in its favor, it does not believe that a jury properly instructed would have returned a verdict form establishing trademark infringement. This position was confirmed by a letter received by the trial judge from one of the jurors following the jury's release to the effect that the jury wished to see the defendants cleared of the damages claim. See footnote 20 to District Court Opinion, page 16b of Petition for Writ.).

With the foundation of a finding of trademark infringement the Ninth Circuit began its lengthy analysis of the affirmative defenses and their relationship to what both the District Court and the Ninth Circuit determined to be the erroneous and now infamous Instruction 65. The opinions of the District Court and the Ninth Circuit both determined that PBS had established facts necessary to support its affirmative defenses of laches, acquiescence, estoppel and unclean hands as to Petitioner's 15 U.S.C. 1114 claim. As stated by the Ninth Circuit, the trademark infringement claim "was overcome by the defendants' affirmative defenses." 14a.

With a finding that the trademark claim was defeated by establishment of the affirmative defenses, the Ninth Circuit had no need to go any further in its counterfeiting analysis. Had the *Babbit* court found the existence of any affirmative defense or any failure of the trademark infringement, its analysis would have ceased with the failure of an essential element of trademark counterfeiting. In this case, that's exactly where the Ninth Circuit concluded its analysis. Without a successful underlying trademark infringement claim, there can be no trademark counterfeiting.

THE REMEDIES FOR TRADEMARK COUNTERFEITING REQUIRE, AS A PRECONDITION, ESTABLISHMENT OF TRADE INFRINGEMENT PURSUANT TO 15 U.S.C. § 1114.

Petitioner demonstrates a fundamental misunderstanding of the statutory framework for recovery for trademark infringement pursuant to the Lanham Act.

Petitioner seems to assert that the Trademark Counterfeiting Act established a new civil cause of action for trademark counterfeiting designed to counteract ineffective remedies under the existing Lanham Act. Yet careful examination of 15 U.S.C. 1116 and 1117 reveal that the Trademark Counterfeiting Act simply adds remedies for certain forms of trademark infringement prohibited pursuant to 15 U.S.C. 1114, conditioned upon proof of additional facts. Regardless of the additional elements of proof required as a prerequisite to the additional remedy for trademark counterfeiting, to prevail a plaintiff must establish foundational liability pursuant to section 1114.

Petitioner's complaint included claims for trademark infringement pursuant to two federal statutes. Petitioner's second claim sought relief pursuant to 15 U.S.C. 1125 claiming unfair competition in the use of trademarks on circuit breakers. The first claim for relief was specifically brought pursuant to 15 U.S.C. 1114 for trademark infringement seeking injunctive relief and the remedy provided in 1117(b) for treble damages and attorney's fees for intentionally fraudulent, malicious, wilful and wanton conduct. Despite representations contained in its petition, nowhere in its complaint did Petitioner even bother to seek the special relief it now claims is available under the Trademark Counterfeiting Act.

Both sections 1116 and 1117 make clear that a finding of liability for trademark infringement pursuant to section 1114 is a prerequisite for any determination under the Trademark Counterfeiting Act. To obtain counterfeiting remedies, it is also necessary to establish that the defendant intentionally used a counterfeit mark, knowing it to be counterfeit. Even Petitioner recognizes that the

additional remedies of the Trademark Counterfeiting Act only apply where there is a viable violation of Section 1114(1)(a). (Petition for Writ, page 13.)

Section 1116 provides the authority to issue ex parte orders for the seizure of goods and counterfeit marks, but requires foundationally the existence of a claim for trademark infringement. In order to obtain seizure orders, not only must a plaintiff allege trademark infringement pursuant to 15 U.S.C. 1114 and counterfeiting but Plaintiff must also comply with all procedural safeguards and standards necessary to obtain ex parte relief. Petitioner was unsuccessful in obtaining this remedy as to any defendant in this action.

15 U.S.C. 1117 allows recovery for treble damages and attorney's fees for a particular subset of the trademark infringement pursuant to 15 U.S.C. 1114. These remedies are only available upon establishment of a trademark infringement claim and the additional burden of proving use of a counterfeit with knowledge of the counterfeit.

Petitioner failed in its efforts to obtain these remedies because it failed to establish the infringement. The affirmative defenses acted as a complete bar to any recovery by Petitioner.

REASONS FOR DENYING THE PETITION AS TO PETITIONER'S SECOND QUESTION

CORRECTION BY THE UNITED STATES DISTRICT COURT OF AN ERRONEOUS JURY INSTRUCTION BY ORDER RATHER THAN NEW TRIAL WAS JUSTIFIED BY PRINCIPLES OF ISSUE PRECLUSION

In its final argument, Petitioner seeks to invoke the Constitution of the United States and the decisions of this court to reinstate a jury verdict obtained by virtue of an erroneous jury instruction offered and championed by the Petitioner. Perhaps only an organization so large and impersonal as the Petitioner could be so blind as to ignore fundamental principles of justice and fairness.

There is no support in *Dunn v. United States*, 284 U.S. 390 (1932) for the proposition that an incorrect jury instruction should be allowed to create a jury verdict legally inconsistent. The reasoning that the court cannot disturb a jury verdict because it cannot determine whose ox was gored simply does not apply. It was obvious to everyone that the defendants were on the gored end of this inconsistent jury verdict.

The *Dunn* rule upholding the issuance of inconsistent verdicts by a jury did not relate to a circumstance where the jury instructions were incorrect. *Dunn* did not contemplate that it would be the court's adoption of an incorrect jury instruction that would result in the inconsistent verdict. Juries are presumed to follow the instructions they are given. *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*, 472 U.S. 585, 604, 105 S.Ct. 2847, 2858, 86 L.Ed.2d 467 (1985). This jury is presumed to have followed their instructions. It is also apparent by their verdicts, that this jury did in fact follow their instructions.

The jury's lack of comfort with the result was apparent from their requests for clarification and errors in filling out the jury form. Given the circumstances, the District Court, in its quest for justice, had no other option than to correct the error occasioned by the jury instruction propounded by Petitioner and refuse to allow the verdict to stand.

Having determined the existence of the instructional error, the District Court was faced with the dilemma of how to remedy the error. Given that under the circumstances of this case, Petitioner is bound by the factual findings of the prior proceeding as to the existence of the affirmative defenses, a new trial would, by operation of principles of issue preclusion, result in a finding that Petitioner's claims were barred by the equitable defenses of laches, estoppel, acquiescence, and unclean hands. In other words, the result would be no different than the District Court's order.

CONCLUSION

Respondent PBS respectfully request that this court deny Petitioner's request for Writ of Certiorari.

Dated July 25, 1997

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